grainger plc

Annual Report and Accounts 2023

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Rent well.
Live well.

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Strategic report

Governance

Financial statements

Other information

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p09

Accelerating growth, through record delivery

A record year, delivering 1,201 new homes and 439 more later this calendar year.

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p05

Chief Executive's statement

We remain in a very strong position to deliver great performance and a great rental experience to our customers.

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p04

Chair's statement

Grainger remains in a very strong position

Image removed

p37

Chief Financial Officer's review

Another year of excellent performance.

A good home is the foundation for a good life.

At Grainger we understand the importance of providing good quality homes for our customers and communities, ultimately *enriching lives.*

OUR YEAR IN REVIEW

Strong growth

An outstanding year of record delivery

Grainger continues to deliver strong performance across the business. In the year, we delivered 1,201 new homes, with a further 439 to come during the remainder of the calendar year, which will increase net rental income by £17m. We launched 6 new schemes in key target cities and continued to create communities for our customers to put down roots. The outlook for Grainger remains strong as we continue to lead the sector. Our medium-term growth is assured with projects secured, planning permission and funding in place and debt and construction costs fixed.

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Highlights

TOTAL OPERATIONAL PORTFOLIO SIZE*

10,208

TOTAL PORTFOLIO VALUE*

£3.3bn

NEW HOMES LAUNCHED

1,201

SCHEMES DELIVERED

6

* Private rented sector (PRS) 8,427 homes, £2.53bn and Regulated Tenancy 1,781 homes, £768m

Our investment case

1. Secured growth

Post tax EPRA earnings to double from FY22. £35m of net rent growth from the fully-funded, committed pipeline

2. Strong balance sheet

Finance costs fixed in the mid 3% for the next 5 years

3. Resilient valuations

Strong leasing and rental growth offsetting yield expansion and supporting valuations

4. Strong inflation link

Strong rental growth of 7.7% closely aligned to wage inflation

5. Strong demand-side characteristics

Defensive and resilient demand at our mid-market price point

6. Healthy customer affordability

On average our customers pay c.28% of income on rent with strong correlation between rent and wage growth

7. Politically supportive landscape

Rent controls ruled out by Conservatives and Labour

8. Vast market opportunity

Opportunity to increase market share as PRS undersupply worsening as small landlords exit

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LIKE-FOR-LIKE RENTAL GROWTH (PRS)

+8.0%

NET RENTAL INCOME

+12%

£96.5m,
(FY22: £86.3m)

LIKE-FOR-LIKE RENTAL GROWTH
(%)

Chart removed

NET RENTAL INCOME
(£M)

Chart removed

OCCUPANCY (PRS)

98.6%

LENGTH OF STAY (PRS)

32 months

CUSTOMER SATISFACTION (NPS)

+43

CUSTOMER RETENTION

63.2%

RENT PAID ON TIME

98%

PRS PROPERTIES - EPC A-C

91%

CHAIR'S STATEMENT

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Well placed for the future

Dear Shareholders,

I am pleased to report that Grainger has continued to perform strongly over the past year, despite the challenging macro-economic environment. This is testament to the Grainger team who have worked tirelessly in a very busy year and to the robustness of the company's operating platform. Given the strength of the balance sheet, the company's funding position and the disciplined approach to capital management, the business continues to be well positioned to deliver strong growth going forward.

In 2023 the Company has delivered even higher levels of occupancy, rental growth, and customer satisfaction scores alongside a record year for new homes delivered. Despite higher interest rates, Grainger is protected from rising debt costs, having fixed them for the next five years. Residential property valuations have proven highly resilient, relative to other real estate asset classes, supported by the growth in rental returns.

Our commitment to operating responsibly remains strong across all areas including sustainability where we are fully reporting Scope 3 carbon emissions for the first time. Health and safety continues to be a priority across the business, with a particular focus on building safety where we have led the sector. Grainger's investment in affordable housing now provides nearly 1,000 affordable homes to low-income households and key workers where access to affordable homes is most challenged.

Grainger continues to enhance its position as a top employer delivering its people strategy focused on wellbeing, reward and recognition, diversity and inclusion. In a market where there is increasing competition for talent, results from our colleague engagement survey have continued to improve materially.

Being an employer and a landlord that welcomes people of all backgrounds is core to Grainger, reflecting one of our four values 'People at the Heart'. The Board is very proud of the work done to date on diversity and inclusion, including the Company's commitment to achieving the highest standard for Equality, Diversity and Inclusion, the National Equality Standard.

Grainger's commitment to its core purpose of 'Renting Homes, Enriching Lives' is evident in its strong customer satisfaction scores, achieving a Net Promoter Score in its annual survey of +43. It is the Board's view that the work being done across the business to improve our customers' experience of renting will drive value to the bottom line by enhancing occupancy levels whilst reducing costs. It was great to see Grainger's progress being recognised as the 'Build to Rent Operator of the Year' in the inaugural BTR360 awards in October.

We have increased our political outreach activity, in light of rental reform proposals and the forthcoming General Election. We have engaged with Government and the main opposition parties and believe we have good levels of support for providing good quality, professionally managed, mid market rental properties which are seen as a key ingredient to delivering more homes in the future.

During the year we saw the retirement of Rob Wilkinson as a Non Executive Director who made an outstanding contribution to the Board given his wealth of property experience. We were very pleased to welcome Michael Brodtman to the Board as the replacement for Rob and he is already fully engaged in the business.

In line with our policy to distribute the equivalent of 50% of net rental income, the Board is pleased to propose a final dividend per share of 4.37p. This will result in a total dividend of 6.65p per share, an increase of 11% from last year.

Given the strength of the development pipeline, the Board is confident that it will be able to deliver substantial growth over the next five years and it will continue to prioritise investment beyond that in the very best new opportunities whilst driving continued asset recycling to help fund its aspirations.

Grainger remains in a very strong position to deliver on its growth ambitions whilst providing a great experience for its growing number of customers. The Board has absolute confidence in the Company's continued success.

Mark Clare
Chair

21 November 2023

CHIEF EXECUTIVE'S STATEMENT

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An outstanding year of *Record Delivery*

Income

LIKE-FOR-LIKE RENTAL GROWTH

7.7%

+302bps
(FY22: 4.7%)

NET RENTAL INCOME

£96.5m

+12%
(FY22: £86.3m)

ADJUSTED EARNINGS

£97.6m

+4%
(FY22: £93.5m)

PROFIT BEFORE TAX

£27.4m

-91%
(FY22: £298.6m)

DIVIDEND PER SHARE

6.65p

+11%
(FY22: 5.97p)

Capital

EPRA NTA

305pps

-4%
(FY22: 317pps)

LOAN TO VALUE

36.8%

+340bps
(FY22: 33.4%)

TOTAL PROPERTY RETURN

0.4%

-713bps
(FY22: 7.5%)

IFRS NET ASSETS

260pps

-2%
(FY22: 265pps)

EPRA NDV

314pps

-6%
(FY22: 334pps)

It is with great pleasure that I can report another year of strong performance for your Company.

This year marks a year of record delivery of new homes for Grainger, leading to strong growth in net rental income and your dividend. We are delivering 1,640 new homes, 1,201 of which are completed and a further 439 completing later this calendar year.

We are now delivering our pipeline at pace and are set to deliver market-leading earnings growth, a culmination of years of planning and implementation since setting out the Company strategy in 2016.

This year, we have increased net rental income by 12%, exceeding more than £100m of annual net rental income on a passing basis, which is more than three times what it was at the start of the strategy.

Despite the macro-economic turbulence that marked the beginning of our financial year, the Grainger business has performed exceptionally well, with our market-leading operating platform, robust balance sheet and disciplined approach to capital allocation.

We now own and operate more than 10,000 rental homes nationally and this is set to grow significantly over the coming years.

CHIEF EXECUTIVE'S STATEMENT (CONTINUED)

Image removed

Our market leading operating platform continues to drive value both for Shareholders and residents. PRS occupancy remains at an all-time high of 98.6%. Like-for-like rental growth is also exceptionally strong at 8.0% for our PRS portfolio, which now represents 77% of our portfolio by value. *Like-for-like rental growth on new lets in our PRS portfolio* was 9.2% for the year while like-for-like rental growth for renewals was 7.2%, demonstrating our commitment to customer loyalty.

Customer satisfaction has continued to rise, and occupancy and retention have continued to increase. On average, our PRS customers stay with us for 32 months.

We are achieving industry-leading customer satisfaction levels, with our Net Promoter Score now +43, ahead of many well-known consumer brand names.

We remain very conscious of the affordability challenges facing many renters, and therefore closely monitor rents against wage growth to protect affordability levels in our rental communities across the UK. On average, our customers spend 28% of their income on rent, below the national average.

Despite the turmoil in the financial markets and rising interest rates, which has badly affected other real estate markets throughout the UK and globally, UK residential has proven resilient, with Grainger's valuations holding up well, only 2.4% down in the year, underpinned by exceptional rental growth. This is reflected in the movements in Profit Before Tax and EPRA NTA in the year. In the year prior, PBT was enhanced by the transfer of trading assets in preparation for REIT conversion. In September 2022, in the wake of the mini-Budget, we put in place an outperformance plan which delivered an increase in adjusted earnings despite macro-economic headwinds. We delivered a strong sales performance in a challenging market with £194m of sales including our accelerated asset recycling programme, consisting of regulated tenancies, old style PRS assets and strategic land.

We have closely managed costs, and while facing energy, insurance and other rising costs, we maintained our operating costs in line with last year with stabilised gross-to-net held at 25.5%.

Our capital discipline puts us in a strong position from a balance sheet perspective, with our cost of debt fixed in the mid 3% for the next five years, enabling us to deliver on our committed pipeline and continue our growth trajectory.

There's much to look forward to.

In the next three years, post-tax EPRA earnings will double compared to last year, as we deliver our pipeline.

Our enhancements to our operating platform, our investment in technology, data science and analysis, and customer experience, will continue to support our growth, deliver efficiencies and improve our residents' experience of renting.

Our market opportunity

The UK private rented sector comprises 5.5 million households. Large-scale, institutional landlords (often referred to as build-to-rent), like Grainger, make up only 1.7% of the sector. The total addressable market we have in front of us is therefore vast and it is growing, with the demand for renting expanding while supply is reducing. This year we have seen many small landlords continue to exit the market, further *increasing the demand for our homes.*

All of this is underpinned by the single biggest defining characteristic of the UK housing market, which is one of severe undersupply of all types and tenures of housing. It is estimated that the shortfall is 4.3m homes[1] and growing as housing supply numbers continue to fall short of increasing demand.

As these numbers show, there is a huge opportunity for Grainger to increase our market share and support the UK in delivering more, high quality rental homes.

Our commitment to acting responsibly

As a leading housing provider in the UK, we take this responsibility very seriously from how we treat our customers, colleagues and suppliers, through building safety, reducing our environmental impact and continuing to enhance our positive social impact.

From the Board to our on-site teams, everyone plays a part.

I am pleased that, for the first time, we are now able to fully report our carbon emissions across all Scopes 1, 2 and 3. This enables us to build on our existing commitment to be net zero carbon in operations by 2030, and we have set ourselves a new target to reduce upfront embodied carbon by 40% excluding offsetting for direct development schemes in design by 2030.

Our Living a Greener Life campaign, which supports our residents in reducing their carbon footprint (which is by far one of Grainger's largest components of our carbon emissions in Scope 3), was recognised by industry peers as market-leading, when we were awarded the Outstanding Contribution to Society Award for Environment by EPRA, the European Public Real Estate Association.

1 Centre for [illegible]

We are leading the sector in our approach to building safety, going beyond what's been set out in the new Building Safety Act, continuing to build on our Live.Safe programme.

Through an innovative partnership with the White Rose charity, we have enabled residents to give 18,700kg of clothing to charity, generating c.£100,000 for the charity and saving 67 tonnes of carbon in the process.

Positively engaging in the political debate on housing

Grainger is committed to improving the experience of renters and is taking a proactive approach to engaging with all political parties to help inform and shape public policy affecting housing and renting. This year, more than ever, we have engaged on issues important to us and our residents, from raising standards in the rental sector to building safety and energy efficiency standards. We are working hard to make the case for the importance of encouraging institutional investment into the build-to-rent sector and the benefits that it can bring to regional growth, economic productivity and regeneration.

We were pleased when the Conservative Government and Labour Party both publicly ruled out rent controls in England, recognising the damage they would do to supply, and ultimately renters. Equally, we were pleased to see the proposals for rental reform in Parliament reflect many of the points we made to Government throughout the consultation process, and that these reforms align to our responsible business model.

Putting people at the heart of our business

To maintain our leading position in the sector and to support our growth ambitions, it is important that we can continue to attract and retain the best possible talent into the sector and our business. Our People Strategy, and the detailed action planning that sits behind it, ensures Grainger can maintain our position as a top employer.

An important aspect of this is our listening culture, which we support through our internal engagement programme. Colleague feedback is regularly sought and acted upon, with close attention paid by the Board and Executive Committee. I am therefore very pleased to report that our employee engagement scores have once again improved materially, and recognise Grainger as a 'Very Good' place to work. All areas of the business have now achieved a 'Star rating' in our annual employee engagement survey.

Equally, we recognise that Grainger's future success is predicated on being welcoming to as many talented colleagues and residents from as many walks of life as possible. Two very compelling reasons behind our strong commitment to promoting Diversity, Equality and Inclusion (DEI) both for colleagues and residents alike.

We continue to support greater diversity of all types across all levels of the business, with, for example, our gender pay gap continuing to reduce, due to the deliberate actions we are taking. We now have exceptionally high diversity data coverage for our colleagues, which will enable the business

"I am proud that Diversity & Inclusion is integral to all our thinking at Grainger and our now well-established D&I network is continuing to flourish and proving influential in driving change within the business."

Mo Sidhu
Diversity & Inclusion network lead Grainger

Find out more about our inclusive and diverse workplace.

→ SEE PAGE 46

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CHIEF EXECUTIVE'S STATEMENT (CONTINUED)

to effectively support its colleagues across all aspects of diversity. A notable step this year, was the Company's commitment to achieving the UK's highest standard for DEI, the National Equality Standard.

Another strong performance with a confident outlook

The business delivered another strong performance for the year, and remains in a good position to continue to successfully deliver on our strategic growth plans, the quality of our product and our commitment to excellent customer service.

Our disciplined investment approach means we have the funding in place to deliver our sizeable pipeline of committed projects. Our reliable cashflow from the unwinding of our regulated tenancy portfolio and our successful asset recycling programme provides us sufficient capacity for continued growth.

We remain in a very strong position to continue to deliver great performance and a great rental experience to our customers.

I'd like to thank the whole Grainger team and their tremendous effort and commitment to delivering on our collective purpose of 'Renting homes and Enriching lives'.

Helen Gordon
CEO

21 November 2023

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"From the moment we moved in, we've been greeted with a warm and welcoming community. The management team is incredibly responsive and helpful, ensuring our needs are always met promptly."

Grainger resident,
Enigma Square

A YEAR OF RECORD DELIVERY

Accelerating growth, record delivery.

Image removed

p10

Nautilus Apartments, Canning Town, East London

In a record year, we are delivering 1,201 new homes and 439 more later this calendar year. Over the following pages, we feature our newest developments and show how, using data and insights to make key decisions, we continue to build our consumer brand, deliver excellent customer service and create communities where customers can put down roots.

Image removed

p14

The Mint, Guildford

Image removed

p18

Enigma Square, Milton Keynes

Image removed

Name: Nautilus Apartments
Location: Canning Town, East London
Homes: 146

Graphic removed

FORTUNES
DOCK

Part of Grainger's East London cluster and adjacent to Argo Apartments, Nautilus Apartments forms part of a wider three-phase build-to-rent development at Hallsville Quarter in Canning Town called Fortunes Dock, totalling 412 homes.

Located less than a five-minute walk from Canning Town underground station, Nautilus Apartments comprises 146 new homes with a mix of one and two-bedroom apartments.

The build-to-rent development features several social spaces and amenities including a resident's lounge, co-working space including working booths and pods, and a dedicated on-site Resident Services team.

Investing in our cluster strategy, driven by *data and insights.*

A YEAR OF RECORD DELIVERY
(CONTINUED)

Building scale in key cities

Graphic removed

OUR MAIN BUILD-TO-RENT CLUSTERS

14
out of 23 target cities invested in to date

Image removed

10,208
operational homes

5,634
pipeline homes

Through our investment and research process, we identify cities and locations with the greatest rental demand and greatest growth prospects.

We target these locations and allocate our capital in a disciplined manner in line with our discerning investment criteria.

When we identify a suitable location, we look to build scale through a cluster of schemes within relatively close proximity This enables us to capitalise on the opportunity whilst also generating management efficiencies and enhancing the service offering.

Our proprietary data, and our research, ensure that we know who will likely rent from us, and enable us to balance customer's affordability and investment returns.

Customer insight

Through the use of CONNECT our technology platform we harness a large amount of data and insight, which provides us with a single source of truth enabling consistent, disciplined and transparent management of our business

CONNECT not only improves operational performance, but it enables us to aggregate and utilise our data to provide a better rental experience for our customers.

The CONNECT platform does exactly what it says. It connects Grainger to our present and future customers, it connects them to their safe, well managed homes; and it connects us as a team.

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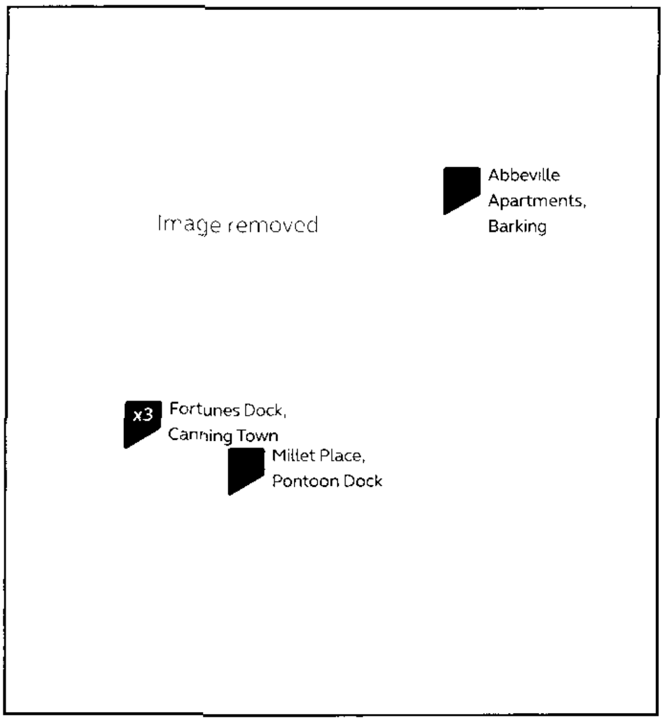
OUR EAST LONDON CLUSTER



emoved

Collecting data throughout a customer's journey with Grainger enables our teams to analyse and gain insight into who our customers are, what they like and how they use the building in which they live. For example, through analysing the control access data of our gyms, we can see that the gym facilities are used 24/7 in our buildings by those who work shifts, reinforcing our decision to keep our gyms available throughout the day for our residents across the portfolio.

Creating operational efficiencies

By creating clusters in key cities, we can benefit from operational efficiencies. By sharing Residents Services team members across sites and using the same suppliers and maintenance contractors, for example, we benefit from the economies of scale and can share facilities, knowledge and best practice from our more established schemes within the area as we grow.

Within our clusters, General Managers oversee the Resident Services Teams, ensuring all team members within the cluster are trained within the local buildings, support and cover can be quickly arranged, providing seamless and consistent service to our customers.

Listening to our customers

By using the data and insights we collect through our research, surveys, and feedback, we know what our customers want, what is working well and what we need to improve upon. This continual feedback loop feeds back into how we design and run our buildings and how we serve our customers. By continuously reviewing and analysing this feedback we can improve, adapt, and evolve our market leading proposition.

We are also able to target different demographics within the area by catering for different needs, price points and requirements within our buildings. For example, through monitoring the use of our shared spaces we have seen an increase in remote working and increased usage of co-working areas. We have therefore increased the space dedicated to co-working and ensure appropriate furniture and refreshment facilities are available.

> ***"Our new buildings are built to our exacting standards, with the customer at the heart of our design: attractive, modern, very energy efficient and in excellent locations."***
>
> **Michael Keaveney,**
> Director of Land and Development

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THE MINT

An exciting addition to Guildford's rental market and centrally located at Guildford train station, The Mint provides 98 one, two and three bed homes.

Boasting Grainger's excellent service and amenity offering, The Mint includes a range of inviting social spaces such as a private dining room and roof terrace, along with a dedicated on-site Resident Services team, ready to offer a warm welcome and assist residents throughout their stay.

The Mint is the ideal place to call home.

Bringing our consumer brand to life in the heart of Guildford.

Image removed

Name: The Mint
Location: Guildford
Homes: 98

A YEAR OF RECORD DELIVERY
(CONTINUED)

Graphic removed

A consistent warm welcome

From the start of a customer's journey, we ensure they know they are renting with Grainger and dealing directly with the Grainger team, from the first piece of marketing they see, the first email they receive and the first person they speak to. This fully integrated approach is unique in the UK.

Although all our buildings have their own name and identity, Grainger's name is clearly displayed throughout the building and on all our communications from the first marketing email they receive, the welcome card in their home on move-in day and the MyGrainger App which they will use throughout their stay to log maintenance, sign up to social events and hear all about what's happening in and around their home.

Our Residents Services team have all taken part in service style training in the 'Grainger Way', so every customer receives consistently excellent service whether they are in any of our locations, such as Newcastle, London or Leeds. From day one our customers receive a warm welcome from the onsite teams who are clearly identifiable by wearing branded name badges and lanyards. They are available to help throughout the day, whether it be arranging maintenance within a resident's home, organising social and community events or just being a friendly face to say good morning.

Grainger's Service style

Every member of the Grainger team has undertaken Grainger's bespoke service style training including the Executive Leadership team.

By conducting this training and rolling it out to all colleagues, the Grainger team have a solid foundation and consistent approach to service delivery.

In-house management

One of Grainger's key differentiators is our in-house management and integrated business model.

By keeping the management, marketing, and lettings of our buildings in-house, we can better ensure the provision of great homes, great service and, ultimately, a great rental experience. This in turn helps maintain high levels of satisfaction and high levels of occupancy and customer retention.

"The apartment and the staff are all exceptional. Every member of staff goes above and beyond to make the building feel like home."

Grainger resident,
The Filaments, Manchester

1

Image removed

1. RESIDENT WELCOME CARD
2. EXPERIENCED SERVICE TEAM
3. MY GRAINGER APP

2

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3

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Industry recognition

This year Grainger's dedication to delivering an excellent customer experience has been recognised at a number of industry's most prestigious awards, including the RESI Awards, where we were awarded Landlord of the Year and at the inaugural BTR360 Awards, where we were awarded BTR Operator of the Year. The judges recognised our pivotal role in establishing build-to-rent (BTR) in the UK, noting "You have revolutionised the BTR sector with innovative ideas, excellent service and a strong strategic vision."

Understanding our customer through data

Throughout a customer's journey with Grainger, we track and record all interactions which feed into our CONNECT Insight Platform and informs our decision making.

By using this data, we can identify those most likely to rent with us, as well as those who will stay with us for longer. We also use the data gathered through touch point surveys throughout a customer's stay, which includes asking for feedback on repairs and maintenance and the tenancy renewal process. We conduct an annual customer satisfaction NPS survey, which gives valuable insight on what customers want and what areas we can continue to improve.

All of this data and insight is harnessed by the business and informs our decisions, from the design of our buildings and processes, through to our operations and product offering.

Creating new communities where customers can put down roots.

Image removed

ENIGMA
SQUARE

Offering 261 new homes to rent, Enigma Square comprises studio, one, two and three-bedroom apartments. Launched in October 2022, we have engaged with residents through a range of initiatives and events, building a thriving and active community.

Across our whole portfolio, from quizzes to summer parties, charitable collections and online yoga courses, kids crafting to mince pies at Christmas, there is something for everyone, whether you want to stay in the comfort of your home or get to know your neighbours.

Graphic removed

Name: Enigma Square
Location: Milton Keynes
Homes: 261

A YEAR OF RECORD DELIVERY
(CONTINUED)

Graphic removed

Creating homes and communities for all

Our aim is to redefine the way that people rent homes.

With the delivery of six new schemes this year we are creating brand new communities across the country, building on our rich history and experience from earlier schemes.

We are creating brilliant new communities that combine the flexibility of renting, with high quality homes and a professional service to our residents. Renting with Grainger provides a professionally run option for people at all stages of their lives, from recent graduates, professional couples and friends sharing, to young families and down-sizers.

Our dedicated on-site teams develop a programme of regular resident engagement events in all our buildings to encourage the creation of a community, whilst also working with local businesses to support and promote them to residents.

Resident events

We deliver a variety of resident events throughout the year, ensuring there is something to suit everyone's tastes, availability, and comfort level. From kids' homework clubs and craft events to cheese and wine nights, dog shows and summer parties at all of our buildings. Residents can get involved in as much or a little as they want.

£100,000 for charity through our clothes donation programme for residents

"The staff really make a difference, creating a community with events and a personal approach. A new way of living."

Grainger resident,
Pin Yard, Leeds

1. FAMILY CRAFT EVENTS
2. ONLINE YOGA CLASSES
3. RESIDENT GAMES NIGHTS
4. FRIENDLY ON-SITE TEAMS

1

Image removed

Across 12 of our schemes, we provide residents the opportunity to recycle pre-loved clothing in partnership with White Rose charity. During the year, collectively our residents recycled 18,700kg of clothing, generating over £100,000 projected revenue for the charity and saving 67 tonnes of CO_2 emissions.

420+

resident events over the past year at our schemes

Working with local businesses to promote wellness and wellbeing

Grainger continues to partner with R1SE Yoga, a commercial occupier based at one of our communities, Brook Place in Sheffield, to offer residents and colleagues a range of complimentary online Pilates and yoga classes, which can be accessed from the comfort of the resident's home or within our on-site fitness studios.

2

Image removed

3

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4

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The shape and strength of our business

We are the UK's leading publicly listed provider of private rental homes. We own and operate rental homes across the country.

111
Years in operation

20,000+
Customers

10,208
Operational homes

5,634
Pipeline homes

Our newest Build to Rent (BTR) schemes

Image removed

The Mint, Guildford

Image removed

Nautilus Apartments, London

Image removed

The Tilt Works, Sheffield

Image removed

The Condor, Derby

Image removed

Copper Works, Cardiff

Image removed

Weavers Yard, Newbury

Image removed

The Barnum, Nottingham

Private rental homes (PRS)

We have over 8,000 private rental homes across the country, and a further 5,634 in our pipeline. Within our portfolio, we offer a broad mix of well-located homes from apartment buildings to suburban housing, all leased at mid-market rents. Our new buildings are built to high standards and technical specifications and unlike many landlords, we manage our properties in-house to ensure the best customer experience possible.

Image removed

The Barnum, Nottingham

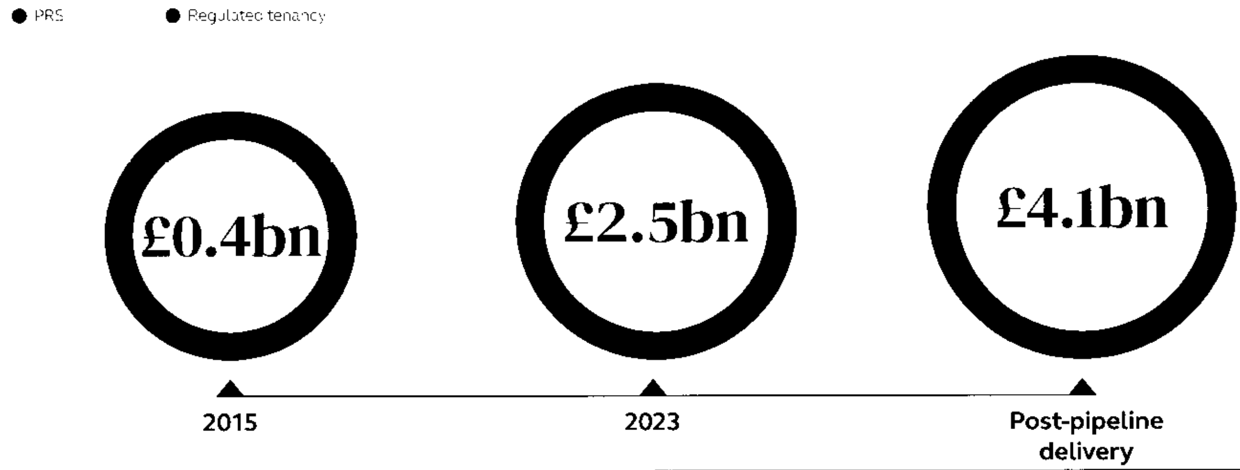
8,427
PRS homes

£2.5bn
Portfolio valuation

98.6%
Occupancy

8.0%
Like-for-like rental growth

Our strategic transition to PRS (investment value)



Regulated tenancy homes

We own and manage 1,781 regulated tenancy homes across the UK. These are historic tenancy agreements that were created before 1989, where the tenant has the right to reside for life. Rents are set every two years at levels typically below the open market by independent local rent officers, but the capital uplift on the eventual sale is significant

When these properties are vacated, we typically sell them, generating significant cash flow each year, providing funding for growth in our PRS portfolio

Image removed

Bethnal Green, London

£760m
Portfolio value

-1.9%
Average sales price achieved within valuation

7.8%
Properties sold on vacancy

THE SHAPE AND STRENGTH OF OUR BUSINESS
(CONTINUED)

Our competitive advantage

Using data and insights to drive decision making

1 Our places

- Proprietary cities strategy research
- Locations with strongest fundamentals
- Nationwide coverage
- Established acquisitions process
- Asset clustering strategy

2 Our customers

- Long-term structural trends
- Growth of our key demographics
- Healthy affordability levels, higher than average wage growth and protection against inflation
- Customer insight programme

3 Our assets

- High quality, purpose-built rental assets
- Customer-centric Grainger design and specification
- Strong ESG credentials
- Experienced in-house development team

4 Our service

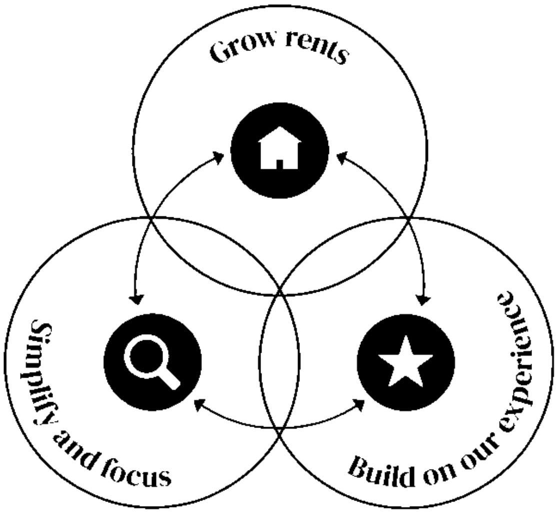
- Market-leading in-house platform
- CONNECT technology
- Grainger service style & customer experience programme
- Strong NPS score and high customer satisfaction

A clear strategy...

We set out a strategy in 2016 to reshape the business and focus our investment into PRS assets (build-to-rent), a strategy which remains just as relevant today.

This strategy is underpinned by three pillars (1) to grow rents, (2) simplify the business, and (3) build on our experience as a leading, responsible residential landlord for over 110 years. The business today is much simpler than it was, but we continue to look for efficiencies that will improve performance.

Our focus on growing rents, being a responsible landlord and best in class remain our top priorities.



...and integrated business model

Our business model covers every element of the rental process, from sourcing the right site in a good location to designing and building homes, to serving the people who live in them. This model and scalable in-house operating platform sets us apart from the competition.

→ READ MORE ON PAGES 30 AND 31

A strong consumer brand

We are building a brand to engage our residents. A brand that promotes our values and commitment to delivering a great customer experience. This experience supports our residents to live sustainably, provides communities and services that strengthen customer loyalty and celebrates the efforts of our own people

→ READ MORE ON PAGES 14 TO 21

63.2%

Customer retention

+43

Customer satisfaction (NPS)

Image removed

Image removed

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Image removed

ESG integrated through the business

Our commitment to being a responsible business, from being a best in class employer, to delivering the best customer service, providing sustainable homes that enhance wellbeing and creating social value for our customers and communities, is embedded throughout the business.

-5%

Reduction in Scope 1-3 carbon emissions per m^2

424

Resident and community events

-40%

Target to reduce embodied carbon on direct developments in design by 2030

Image removed

People

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 communities.

→ SEE PAGE 46

Image removed

Assets

We design and create quality homes with high standards of sustainability that attract customers and retain them, which helps to deliver long-term value to our stakeholders

→ SEE PAGE 50

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Environment

Aligned to our goal of protecting the long-term future of our business, we are committed to reducing our environmental impact, including our commitment to being *net zero carbon in operations by 2030*

→ SEE PAGE 52

THE SHAPE AND STRENGTH OF OUR BUSINESS
(CONTINUED)

Our earnings are set to double
Growth locked-in and de-risked

Building on our scale, over half of our pipeline of 5,632 homes representing £1.6 billion of investment, is locked in and de-risked. Permissions and funding are in place, construction and debt costs are fixed and they are under construction. This pipeline of committed investment will deliver a doubling of our post tax EPRA earnings from FY22 *within approximately three years.*

Operational*
10,208 homes, **£3.3bn**

£760m
Regulated Tenancies
1,781 homes

£2,500m
PRS portfolio
8,427 homes

PRS Pipeline
5,634 homes, **£1.6bn**

£721m
Committed
2,609 homes

£541m
Secured
2,009 homes

£316m
Planning/Legals
1,016 homes

*Including Vesta co-investment: 154 homes at Miller Place

Strong financials

1. Net rental income growth of 12%
2. Dividend per share up 11%
3. Strong balance sheet
4. Debt costs fixed in mid 3% for c.5 years, with no material refinancing due until 2028
5. Resilient valuation with EPRA NTA down 4% at 305p supported by strong ERV growth of 8.1%

Earnings and dividend growth over the last ten years
(PENCE)

● Adjusted diluted EPS ● Dividend per share

Chart removed

Research led investment decisions

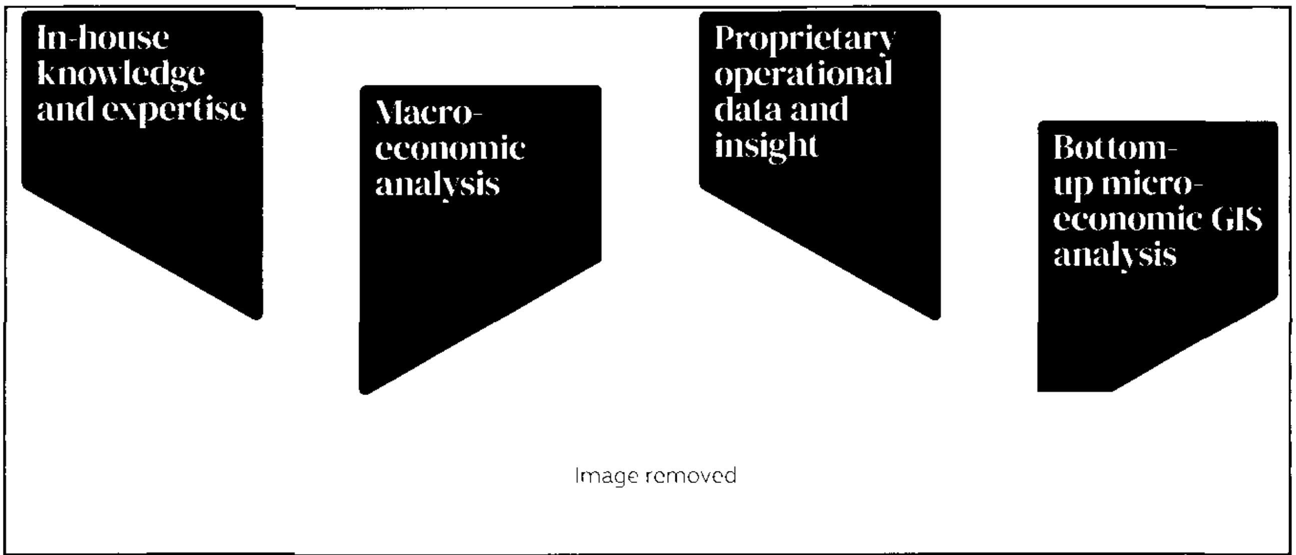
Our investment process begins with comprehensive research by our in-house research team using macro and micro-level data to identify cities and locations with the greatest rental demand and greatest growth prospects.

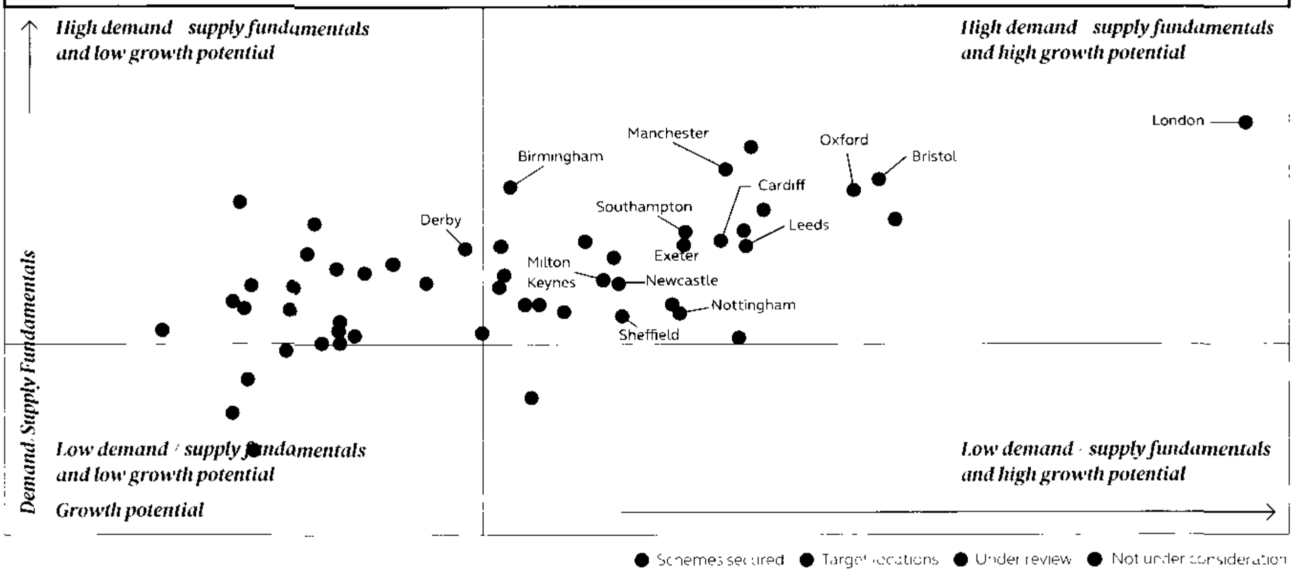
At the macro-level, we assess cities on their demographic, economic and real estate fundamentals, to ensure that we invest in prosperous, dynamic areas that will deliver *growing customer demand* and rental growth across the real estate cycle.

At the micro-level, we build a full understanding of the surroundings, using a geographical information system to build an accurate picture of local amenities, walkability, public transport, access to employment centres and green space – confirming it's an attractive location for customers.

We can then target the right locations and allocate our capital in a disciplined manner in line with our discerning *investment criteria*.

Disciplined research-led investment decisions





1. Analysed 329 local authorities
2. Analysed 58 cities
3. Targeting top ranking cities
4. Ranked on six success factors
5. Underpinned by 22 economic data sets
6. Detailed demographic and rental market analysis

Scottish cities excluded from the analysis owing to data availability and our strategic decision not to invest in Scotland at present due to rent controls.

THE SHAPE AND STRENGTH OF OUR BUSINESS (CONTINUED)

Creating the UK's leading private rental portfolio

PRS PORTFOLIO	PRS VALUE	PIPELINE	PIPELINE VALUE
8,427 HOMES	**£2.5bn**	**5,634** HOMES	**£1.6bn**

NEW SCHEMES

Launched:
1,201 homes

Weavers Yard, Newbury
66 homes (1)

Nautilus Apts, Fortunes Dock, London
146 homes (2)

The Barnum, Nottingham*
348 homes (3)

The Mint, Guildford
98 homes (4)

The Condor, Derby
259 homes (5)

The Tilt Works, Sheffield
284 homes (7)

*Completed post year end

Launching by end of 2023:
439 homes

Weavers Yard, Newbury
132 homes (1)

The Copper Works, Cardiff
307 homes (6)

Total: 1,640 homes

Geographic breakdown of our operational PRS portfolio by number of homes

Central London	15%
Outer London	13%
South East	17%
South West	6%
East & Midlands	10%
North West	22%
Other regions	17%

NATIONAL RENTAL PORTFOLIO^

2023 | 2024 | 2025 | 2026+

North West (Manchester & Liverpool)
1,789

North East (Newcastle)
381

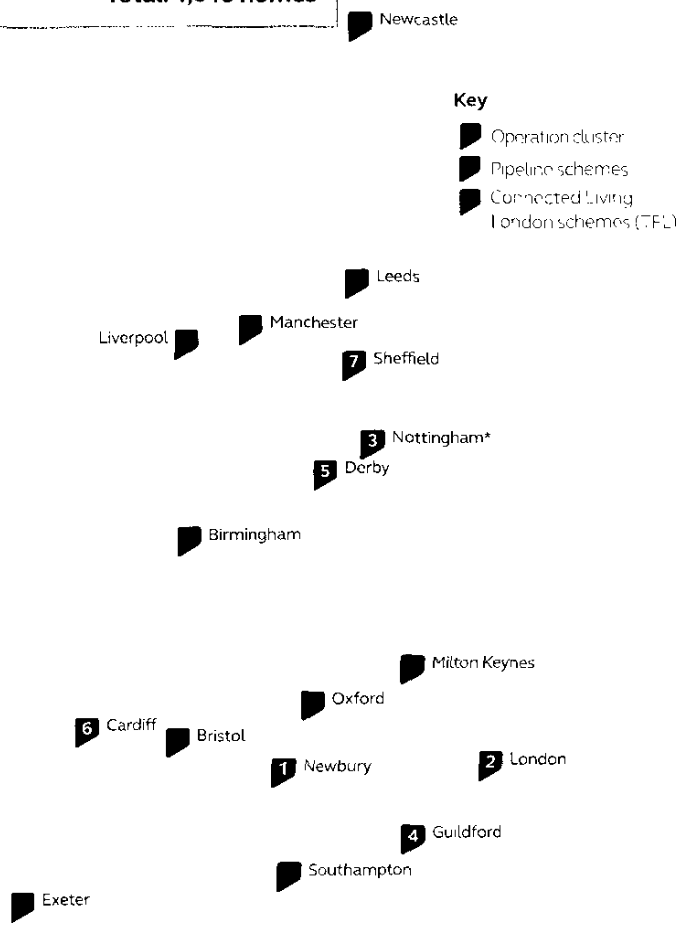
Yorkshire (Leeds, Sheffield)
1,043

East & Midlands (Birmingham, Derby, Nottingham)
835
348 *The Barnum, Nottingham**
375 Silver Yard, Birmingham

South West & Wales (Bristol, Cardiff, Exeter)
514
307 The Copper Works, Cardiff
231 Millwright Place, Bristol
468 Glasshouse Sq, Redcliff, Bristol
230 Exmouth Junction, Exeter

London (See overleaf)
2,428**
2,728

South East (Guildford, Southampton)
1,437
132 Weavers Yard, Newbury (remaining)
150 West Way Sq, Oxford



^Includes [illegible]
*Completed post year end
**Including Market Place, Romford [illegible] 236 homes [illegible] 134 PRS within [illegible] 2,182 affordable homes [illegible] wholly-owned by the Grainger Trust

LONDON RENTAL PORTFOLIO

Homes	Scheme	No.	2023	2024	2025	2026+
North London						
162	Arnos Grove (CLL)	1				
351	Cockfosters (CLL)	2				
North East London						
163	Apex Gardens	3				
108	Windlass Apts	4				
65	'Hale Wharf 2'	5				
East London						
100	Abbeville Apts, Barking	6				
134	Argo Apts, Fortunes Dock, Canning Town	7				
146	Nautilus Apts, Fortunes Dock, Canning Town	8				
236	Millet Place, Pontoon Dock*	9				
132	Seraphina Apts, Fortunes Dock, Canning Town	10				
London City Fringe						
90	Ability Towers	11				
101	Ability Plaza	12				
85	Springfield House	13				
122	Other	14				
South East London						
208	The Gardens, Dulwich	15				
324	Besson Street, Lewisham	16				
Inner London						
56	Shillington Old School, Clapham Junction	17				
100	Mitre Road, Waterloo	18				
215	Waterloo Estate, Waterloo	19				
139	Montford Place, Kennington (CLL)	20				
479	Nine Elms (CLL)	21				
West London						
98	Kew Bridge Court, Kew	22				
401	Merrick Place, Southall	23				
460	Southall Sidings (CLL)	24				

Through our growing national presence, we have developed a series of well-balanced, operationally efficient clusters across the country.

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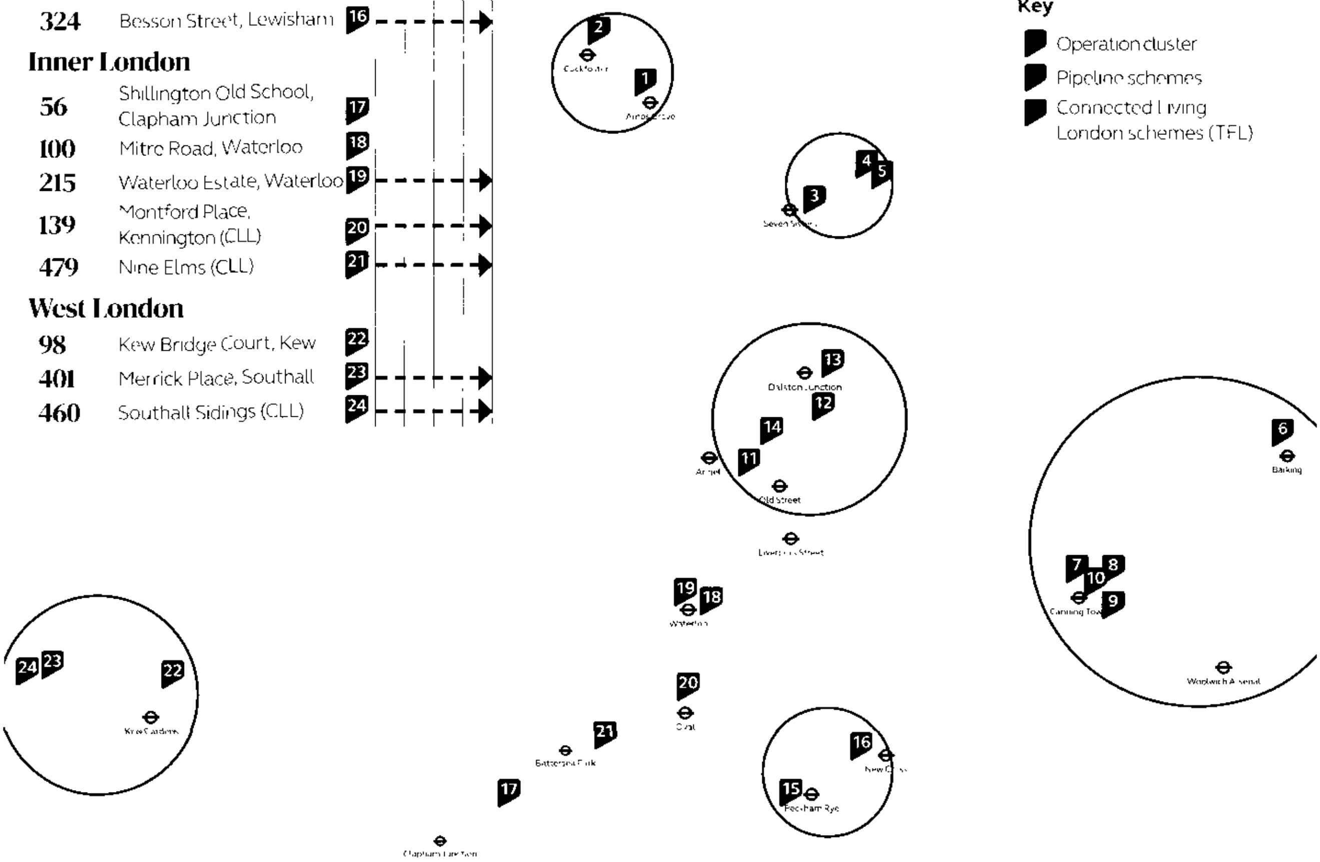

Key

- Operation cluster
- Pipeline schemes
- Connected Living London schemes (TFL)

*154 private rented homes, co-owned within the Vesta JV. 82 affordable homes, wholly owned within Grainger Trust

OUR BUSINESS MODEL

Our operating platform:

market leading, fully integrated, scalable

The inputs to our business

Our people

[illegible]

→ SEE PAGE 46

Technology

[illegible]

→ SEE PAGE 12

Data insight and knowledge

[illegible]

→ SEE PAGE 11

Our relationships

[illegible]

→ SEE PAGE 49

Our property portfolio and pipeline

[illegible]

→ SEE PAGE 28

Financial capital

[illegible]

→ SEE PAGE 37

Outputs that benefit our key stakeholders

Customers

Benefit from safe, sustainable, high quality homes with great facilities and service.

+43pts

Net Promoter Score (NPS)

Local communities

We are committed to supporting the local communities where we invest and operate to ensure we make a positive impact.

424 events

Suppliers

We work closely with our suppliers, acting with integrity and always ensuring we are fair and responsible.

69%

Spent locally (within 5km)

Dividend per share Shareholders

We generate attractive, long-term, risk-adjusted and sustainable returns for our investors and deliver on our ESG commitments.

6.65p

up +11% Total dividend per share

→ SEE PAGE 26

Employee survey score Colleagues

We offer a place where individuals can be part of a caring team, reach their full potential and enjoy a fair and welcoming workplace.

'Very good'

workplace engagement

Government

We are helping support the Government's aim of increasing housing supply, improving standards in the rental housing market and progressing towards net zero.

c.1,000

affordable homes provided

How we create value

Our fully integrated business model and operating platform ensures we are investing in, designing and operating the best possible homes while providing excellent service. Great homes and great service means higher customer satisfaction, higher occupancy, better rental growth and better valuations, enabling us to deliver market leading, sustainable returns for our Shareholders, and creating value for all our stakeholders.

Originate

Planning, design and delivery

Controlling the delivery and quality of our pipeline of new homes

→ SEE PAGE 28

Invest

Research-backed investing

Allocating capital in the strongest locations and best assets

→ SEE PAGE 27

Operate

Scalable platform

Through technology, our market leading operating platform is scalable to support our continued growth

→ SEE PAGE 17

OUR MARKET

A year when the residential rental market has proven its *resilience...*

This time last year, rising interest rates – compounded by the impact of the mini-budget – were seen as a negative for the UK property market. In the time since we have seen the UK Bank Rate move to 5.25%, mortgage rates rise concurrently, and levels of mortgage lending and transaction activity contract sharply.

Despite this, UK house prices have proven resilient and have declined only 3.3% over the past year. Supported by 81% of UK residential mortgages being fixed rate, the large quantum of outright owners in the market – 54% of all owners have no mortgage debt – and housing's status, alongside food, as a household priority.

ENGLAND HOUSING TENURE
(%)

Chart removed

● Own outright ● Buying with mortgage ● Private renters ● All social renters

Source: English Housing Survey 2021/22

The rental market has shown the strength of its underlying fundamentals...

Whilst the overall resilience of UK housing demand has helped cushion capital value falls against the rising cost of money, the rental market – a more fundamental measure of demand – has continued to see demand rise strongly.

This is a function of both the UK population continuing to grow rapidly, with migration increasing markedly post-Covid, and a growing build-up of unfulfilled rental demand from previous years. Additionally, despite economic growth slowing, the UK's flexible employment market has ensured that we are close to full employment.

Consequently, according to the ONS, rental growth, including in-place tenancies, was 5.7% y/y in September, in contrast to many of the new lettings asking price measures from the search engine property portals which are showing rental growth of 10%+ y/y.

In stark contrast to the commercial market, where rents can be highly cyclical and tend to rise and fall with the economy, residential rents have proven their resilience across the business cycle.

RESIDENTIAL RENTS MORE RESILIENT THAN COMMERCIAL
COMMERCIAL VS RESIDENTIAL RENTAL INDICES, DEC-05 = 100

● Private Residential Rent Index (ONS) ● Commercial Rental Value Index (CBRE)

Chart removed

Source: CBRE, ONS

And the market's structural supports have only strengthened.

Although the structural undersupply of housing in the UK is well known, forward-looking indicators are highlighting a worsening situation. For example, according to the Home Builders Federation, the number of schemes granted planning permission during Q2 of 2023 (2,456) was the lowest since their Housing Pipeline Report began recording the data in 2006. This number was 10% down on the previous quarter and 20% lower than a year prior. An increasingly challenging planning system, political uncertainty, high construction inflation and the rises in interest rates in the past year have created a situation likely to constrain housing supply in the years to come.

At the same time, small private landlords' share of the rental market is reducing. Data from the Bank of England shows a sharp fall in mortgage advances to buy-to-let landlords in the first half of 2023 – on an absolute and share of market basis – with rising rates and concerns over future regulation forcing many private landlords from the market.

Consequently, the UK private rental market's demand and supply imbalance looks likely to worsen in the coming years, creating an opportunity for Grainger and other large-scale institutional, build-to-rent landlords to plug the gap.

AN OPPORTUNITY AS PRIVATE LANDLORDS CONTINUE TO EXIT
SHARE OF GROSS MORTGAGE ADVANCES FOR BUY-TO-LET PURPOSES (PURCHASES, REMORTGAGE AND FURTHER ADVANCE) (%)

Chart removed

Source: FCA

Image removed

KEY PERFORMANCE INDICATORS

Driving income returns

Our key performance indicators ('KPIs') are aligned to the business strategy. These measures are used by the Board and senior management to actively monitor business performance.

Link to strategy Grow rents Simplify and focus Build on our experience

NET RENTAL INCOME (£M)

Chart removed

KPI definition

Gross rental income after deducting property operating expenses

Comment

Increase of 12% due *to high levels of PRS* investment in new *openings (£4.3m), strong* like-for-like rental growth *(£8.7m), high demand* for our product, and our *platform driving higher* average occupancy, *offset by disposals* (£2.8m)

Link to strategy

Notes

See Note 6 to the financial statements.

PRS RENTAL GROWTH (%)

Chart removed

KPI definition

Like-for-like average growth of rents across our PRS portfolio

Comment

8.0% like-for-like growth in our PRS rental income driven by our strong leasing performance, with strong growth in new lets (9.2%) and renewals (7.2%)

Link to strategy

Notes

See Glossary on page 182 for definition and calculation basis

PROPERTY OPERATING COST (GROSS TO NET) (%)

Chart removed

KPI definition

Property operating costs expressed as a percentage of gross rental income

Comment

Gross to net performance *reflects the level of new* launches completed in *the year, as we continue* to stabilise new openings. *Stabilised gross to net* performance on existing *assets is 25.5%, and* in line with prior years *reflecting our strong* cost control

Link to strategy

Notes

See Note 6 to the financial statements

ADJUSTED EARNINGS (£M)

Chart removed

KPI definition

Profit before tax, valuation movements on investment assets and derivatives, and other adjustments, that are one-off in nature, which do not form part of the normal on-going revenue or costs of the business

Comment

Increase of 4% *delivered due to strong* growth in net rental *income and resilient* sales performance

Link to strategy

Notes

See Note 3 to the financial statements for explanation and for reconciliation to statutory measures

PROFIT BEFORE TAX (£M)

Chart removed

KPI definition

Profit before tax is a statutory IFRS measure as presented in the Group's consolidated income statement

Comment

Decrease of 91% *driven by the market* impact on property *valuations. FY22 included* £81.2m uplift from *one off transfers from* trading property to *investment property*

Link to strategy

Notes

See Consolidated income statement on page 126

Delivering capital returns

EPRA NTA (PPS)

Chart removed

KPI definition

EPRA NTA (Net Tangible Assets) is the market value of property assets after deducting deferred tax on trading assets, excluding intangible assets and derivatives.

Comment

12p reduction in the year, primarily driven by market impact on property valuations.

Link to strategy

Notes

See page 41 for further detail on EPRA NTA and page 175 for EPRA performance measures.

EPRA NDV (PPS)

Chart removed

KPI definition

EPRA NDV (Net Disposal Value) is EPRA NTA after deducting deferred tax on investment property revaluations and including market value adjustments of debt and derivatives.

Comment

20p reduction in the year reflecting valuation performance, as well as market movements in fixed rate debt and derivatives

Link to strategy

Notes

See Note 4 to the financial statements for reconciliation to statutory measures and EPRA performance measures from page 175

TOTAL PROPERTY RETURN ('TPR') (%)

Chart removed

KPI definition

TPR is the change in gross asset value (net of capital expenditure) plus property related net income, expressed as a percentage of opening gross asset value

Comment

Returns of 0.4% demonstrating strong operational performance offset by property valuations.

Link to strategy

Notes

See Alternative Performance Measures on page 180 for calculation

LOAN TO VALUE ('LTV') (%)

Chart removed

KPI definition

Ratio of net debt to the market value of properties on a consolidated Group basis

Comment

LTV remains in a strong position with a modest increase reflecting reinvestment of disposal proceeds into our BTR pipeline, partly offset by a stronger sales performance, together with a resilient valuation performance.

Link to strategy

Notes

See Alternative Performance Measures on page 180 for calculation.

COST OF DEBT (AVERAGE) (%)

Chart removed

KPI definition

Average cost of debt for the year including costs and commitment fees

Comment

Average cost of debt at 3.3% as we have locked into rates in the mid 3% range for the next five years.

Link to strategy

Notes

See Note 27 to the financial statements for further detail regarding capital risk management

Non-financial and ESG KPIs

Link to strategy Grow rents | Simplify and focus | Build on our experience

Image removed	Image removed	Image removed

Our customers and communities

We continue to invest in our customer experience programme including customer service training and enhancing our offer to our customers and communities.

We are committed to creating thriving communities that help attract and retain customers and benefit those living and working in the areas close to our schemes.

Our people

We are committed to putting 'People at the heart', which aligns to our focus on positive colleague engagement.

We continue to invest in our people, their wellbeing and their development.

Our independent employee engagement survey confirms that we have a highly engaged workforce.

Our impact on the environment

We have made great progress in measuring and reducing our carbon emissions in alignment with our net zero carbon pathway. This year we measured our full Scope 3 emissions for the first time, introduced new floor area intensity measures to align our reporting to sector best practice and undertook verification of our Scope 1-3 emissions.

+43pts
Customer Net Promoter Score

32 months
average length of stay for PRS customers

424
resident and community events

Link to strategy

Very Good
rating by colleagues in our annual survey by Best Companies

84%
response rate to our employee engagement survey

71%
of eligible employees (12 months+ employment) are Shareholders

Link to strategy

-32%
reduction in Scope 1-2 carbon emissions per m^2 (market based)

-5%
reduction in Scope 1-3 carbon emissions per m^2

91%
EPC ratings 'C' and above (for PRS properties)

Link to strategy

Image removed

Financial review

"FY23 was another year of excellent performance for the business driven by the strength of our platform and demand for our mid-market product."

Rob Hudson
CFO

FY23 was another year of excellent performance for the business driven by the strength of our platform and demand for our mid-market product. Operationally, we have capitalised on these dynamics and delivered strong results. Occupancy is high at 98.6%, LFL rental growth strong at 7.7% across the portfolio overall and higher in our PRS portfolio at 8.0%. The investment we are making in our pipeline is continuing to deliver annual step changes in our net rent with a 12% increase this year. Indeed, FY23 was a record year of both investment and delivery (£312m invested in new homes), with 1,201 new homes delivered and a further 439 scheduled to complete in calendar year 2023.

Despite the challenging economic backdrop, we have delivered excellent sales profits and delivered on our strategy of increasing asset recycling, with total sales for the year at £193.7m. Valuations have remained resilient in the period, reducing by just 4% (£70m) with the strong operational performance driving ERV growth which in turn largely offset outward yield movement. The close relationship between rental growth and wage inflation was again evident in the year and demonstrates our natural valuation hedge in a high inflation and interest rate environment.

The balance sheet remains in good shape with net debt broadly flat on the half year position and with debt costs fixed in the mid 3% and no further material refinancing due until 2028 we have very limited exposure to rising interest rates in the medium term.

With a further 50% increase in net rents to come from our committed pipeline we are on track to deliver significant earnings growth over the coming years. The proposed final dividend for the year is 4.37 pence per share, taking the total dividend for the year to 6.65 pence per share, up 11%, demonstrating the continuing growth in net rents.

CHIEF FINANCIAL OFFICER'S REVIEW
(CONTINUED)

Financial highlights

Income return	FY22	FY23	Change
Rental growth (like-for-like)	4.7%	**7.7%**	+302 bps
Net rental income (Note 6)	£86.3m	**£96.5m**	+12%
Adjusted earnings (Note 3)	£93.5m	**£97.6m**	+4%
Profit before tax (Note 3)	£298.6m	**£27.4m**	(91)%
Dividend per share (Note 14)	5.97p	**6.65p**	+11%

Capital return	FY22	FY23	Change
EPRA NTA per share (Note 4)	317p	**305p**	(4)%
Total Property Return	7.5%	**0.4%**	(713) bps
Total Accounting Return (NTA basis) (Note 4)	8.8%	**(1.8)%**	(1,065) bps
Net debt	£1,262m	**£1,416m**	+12%
Group LTV	33.4%	**36.8%**	+340 bps
Cost of debt (average)	3.1%	**3.3%**	+12 bps

Income statement

Adjusted earnings increased by +4% to £97.6m (FY22: £93.5m) as a result of another strong year of increasing net rents which were up 12%, and a resilient sales performance with vacant sales profits up despite the naturally shrinking portfolio.

IFRS Profit before tax was £27.4m, down from £298.6m in the prior year as a result of the one-off £81.2m valuation gain from the transfer of trading assets in FY22 in preparation for REIT conversion, along with a lower valuation performance.

The operational leverage inherent in our business model means that EPRA earnings have increased by 41% to £39.8m (FY22: £28.2m) as we continued to deliver our pipeline and launch new homes.

Income statement (£m)	FY22	FY23	Change
Net rental income	86.3	**96.5**	+12%
Profit on sale of assets – residential	65.3	**57.8**	(11)%
CHARM income (Note 20)	4.8	**4.7**	(2)%
Management fees	4.4	**5.0**	+14%
Overheads	(31.8)	**(33.5)**	+5%
Pre-contract costs	(0.8)	**(1.2)**	+50%
Joint ventures and associates	(1.4)	**0.1**	(107)%
Net finance costs	(33.3)	**(31.8)**	(5)%
Adjusted earnings	93.5	**97.6**	+4%
Valuation movements	133.4	**(70.2)**	(153)%
Other valuation movements	81.2	**–**	(100)%
Other adjustments	(9.5)	**–**	(100)%
Profit before tax	298.6	**27.4**	(91)%

[illegible]

Image removed

Rental income
(£m)

Chart removed

Image removed

Image removed

Rental income

Net rental income was up +12% during the year at £96.5m (FY22: £86.3m) reflecting continued delivery of our PRS pipeline. Like-for-like growth was strong at 7.7% (FY22: 4.7%), broadly in line with national wage growth, with 8.0% rental growth in our PRS portfolio (FY22: 4.8%) and 5.9% in our regulated tenancy portfolio (FY22: 4.6%). New lets in our PRS portfolio delivered 9.2% rental growth with a lower level of 7.2% on renewals, reflecting our retention strategy.

FY23 was a record year of deliveries with 1,201 homes delivered across 6 schemes with a combined net rent roll of £13m which will benefit next year's net rent by c.£8m. We continue to remain focused on cost efficiency with gross to net for the period on our stabilised portfolio at 25.5%, consistent with previous periods.

+12%

Net rental income

+7.7%

Total like-for-like rental growth

CHIEF FINANCIAL OFFICER'S REVIEW
(CONTINUED)

Image removed

"We have a very strong liquidity and cash position, our committed pipeline is fully funded and our debt costs are near fully hedged."

Rob Hudson
CFO

Image removed

Sales and development activity

Sales revenues increased in line with our plan of delivering high levels of asset recycling. Overall sales profits were £57.8m (FY22: £65.3m), reflecting the mix of trading and investment sales with revenues increasing to £193.7m (FY22: £174.7m). We delivered £34.1m of profit from vacant property sales (FY22: £32.4m) from revenues of £70.1m (FY22: £73.9m) with sales prices achieved that were a modest -1.9% of previous valuations reflecting the attractiveness of these unique assets.

Sales of tenanted properties delivered £19.4m of profit (FY22: £30.9m) from revenues of £88.1m (FY22: £74.8m), the lower profit margins reflecting the higher level of investment sales compared to trading tenanted asset sales. Development profits increased to £4.3m (FY22: £2.0m) from revenues of £35.5m (FY22: £26.0m) as a result of a profitable exit from a legacy scheme at Seven Sisters and strong land sales at our Berewood site.

	FY22		**FY23**	
Sales (£m)	Revenue	Profit	**Revenue**	**Profit**
Residential sales on vacancy	73.9	32.4	**70.1**	**34.1**
Tenanted and other sales	74.8	30.9	**88.1**	**19.4**
Residential sales total	148.7	63.3	**158.2**	**53.5**
Development activity	26.0	2.0	**35.5**	**4.3**
Overall sales	174.7	65.3	**193.7**	**57.8**

Balance sheet

Our balance sheet remains in a strong position with LTV of 36.8% (FY22: 33.4%) following a record year of investment in our pipeline. This represents a small increase on the half year position (HY23: 36.1%).

We have a very strong liquidity and cash position with headroom of £519m (FY22: £663m), our committed pipeline is fully funded and our debt costs are almost fully hedged meaning we have minimal exposure to potential interest rate rises over the next five years. Following a strong year of delivery our PRS portfolio now represents 77% of our asset base.

EPRA net tangible assets (NTA)
Pence per share

Chart removed

Market value balance sheet (£m)	FY22	FY23
Residential – PRS	2,189	**2,423**
Residential – regulated tenancies	812	**693**
Residential – mortgages (CHARM)	69	**67**
Forward funded – PRS work in progress	466	**441**
Development work in progress	182	**126**
Investment in JVs/associates	55	**91**
Total investments	3,773	**3,841**
Net debt	(1,262)	**(1,416)**
Other liabilities	(41)	**(66)**
EPRA NRV	2,470	**2,359**
Deferred and contingent tax – trading assets	(111)	**(91)**
Exclude intangible assets	-	**(1)**
EPRA NTA	2,359	**2,267**
Add back intangible assets	–	**1**
Deferred and contingent tax – investment assets	(116)	**(106)**
Fair value of fixed rate debt and derivatives	240	**171**
EPRA NDV	2,483	**2,333**
EPRA NRV pence per share	333	**318**
EPRA NTA pence per share	317	**305**
EPRA NDV pence per share	334	**314**

EPRA NTA decreased 4% during the year to 305p per share (FY22: 317p per share). The decrease was largely driven by a 13p reduction from valuations with a 5p positive contribution from EPRA earnings, offset by the payment of our final dividend (6p). This NTA measure excludes the mark to market of our fixed rate debt which is £171m or 23 pence per share.

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CHIEF FINANCIAL OFFICER'S REVIEW (CONTINUED)

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Property portfolio performance

Our overall portfolio valuation was down 2.4% (FY22: increase of 4.4%) with our stabilised PRS portfolio decreasing by 2.3% (FY22: increase of 4.6%) and our regulated portfolio decreasing by 2.0% (FY22: increase of 4.1%). While yields on our PRS portfolio moved out by c.40bps as a result of the macro-economic environment, the majority of the valuation impact was offset by the 8.1% ERV growth that we delivered during the year. Our Regional PRS portfolio outperformed London and the South East given that it only experienced 30bps yield shift compared to 50bps in London. ERV growth in London and South East was 8.8% compared to 7.3% in the Regions.

Portfolio	Region	Capital value	Total valuation movement	
		(£m)	£m	%
PRS	London & SE	1,324	(67)	(5.2)%
	Regions	1,099	11	1.2%
	PRS Total	**2,423**	**(56)**	**(2.3)%**
PRGS	London & SE	590	(11)	(1.9)%
	Regions	103	(3)	(2.5)%
	REGS Total	**693**	**(14)**	**(2.0)%**
Operational portfolio		**3,116**	**(70)**	**(2.2)%**
	PRS Development	567	(21)	(3.8)%
Total portfolio		**3,683**	**(91)**	**(2.4)%**

Financing and capital structure

Our capital structure remains in a very strong position. Net debt for the year was £1,416m (FY22: £1,262m) with £209m of operational cashflows, including asset recycling offset by £312m of investment in our PRS pipeline, £47m of dividends and £4m of tax and other payments. This however represents an increase of only £22m compared to the half year (HY23: £1,394m) as capex spend decreased and asset recycling increased.

During the year we successfully extended £915m of bank facilities by one year and now have no material refinancing requirements until 2028. The average cost of debt increased only marginally to 3.3% (FY22: 3.1%) during the period as a result of our strong hedging profile with a maturity of five years that will ensure our interest costs remain in the mid 3%. From FY24 onwards we expect capex to be funded by operational cashflows including asset recycling.

	FY22	FY23
Net debt	£1,262m	**£1,416m**
Loan to value	33.4%	**36.8%**
Cost of debt	3.1%	**3.3%**
Headroom	£663m	**£519m**
Weighted average facility maturity (years)	6.5	**5.5**
Hedging	97%	**95%**

Summary and outlook

Following another strong year of performance, we see the high levels of growth in net rents and earnings set to continue as our pipeline continues to deliver. With a solid balance sheet and strong operational cashflow generation we are well placed to continue our growth trajectory.

Despite the macro-economic challenges, the nature of our business model and the resilience of our income stream mean that our growth continues, with a fully funded pipeline and debt costs fixed, we will continue to see a step change in rents and earnings cover the coming years.

Rob Hudson
Chief Financial Officer

21 November 2023

Image removed

Sustainability is embedded through the business

Image removed

Grainger's approach to sustainability

Image removed

Our sustainability approach ensures we deliver positive outcomes for our colleagues and our communities, create high quality homes for our residents, and 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 material risks and opportunities for our business and our stakeholders. For more information on how we are creating value for our stakeholders.

→ SEE PAGE 31

Strategy

Sustainability is fully integrated into Grainger's business strategy and informs our key decision-making through the inclusion of sustainability requirements in our key policies and processes, for example our asset hierarchy and specification for new developments.

Our planned net zero investment has been incorporated into our business financial planning and this year we further developed our net zero pathway to incorporate our plans for reducing Scope 3 emissions.

See an overview of our net zero transition pathway

→ SEE PAGE 58

Metrics and targets

This year for the first time we measured and verified our Scope 1-3 emissions, and we plan to set a Scope 3 carbon reduction target in FY24. Floor area intensity metrics were introduced to align our measurement to sector best practice. We established our embodied carbon roadmap with a target to reduce upfront embodied carbon by 40% for direct development schemes in design by 2030.

See our Streamlined Energy and Carbon report

→ SEE PAGE 113

Governance

In the year we transitioned our Sustainability function into the Finance area of our business to deliver enhancements in quantifying our performance. The 2023 LTIP scheme incorporates carbon emissions metrics for the first time (see Remuneration Committee report on page 93).

The delivery of our Sustainability programme is monitored with strong oversight from our Executive Committee and our Board, including our Responsible Business Committee.

See our Responsible Business Committee report

→ SEE PAGE 86 AND 87

Risk management

Sustainability is integrated into Grainger's corporate risk management framework which considers current and emerging risks including net zero related policy and regulation, and physical risks to our property portfolios. In FY23 we completed a deep dive into climate change risk and all climate-related risks are monitored at quarterly reviews by risk oversight committees. We have also increased our monitoring of sustainability-related emerging risks such as biodiversity and are preparing to report in alignment with the Sustainability Disclosure Requirements.

See our TCFD report

→ SEE PAGES 54 TO 60

Our highlights from FY23

Our people

Ensure Grainger's workforce is engaged and reflective of society

84%
response rate to employee survey achieving rating of Very Good

82%
response rate to Diversity Workforce Tracking questionnaire

- **Commenced process to achieve the National Equality Standard**

Measure and deliver positive social value contribution to our customers and local communities

424
residents and community events held in our buildings

£190,000
total community investment

- **Introduced new framework for local charity engagement**
- **Measured social value across our operational portfolio**

Our assets

Deliver enhanced investment decisions through incorporating ESG considerations including risks, costs and returns

91%
of PRS properties rated EPC A-C

£1,228m
total investment in green buildings rated EPC B or above

£173m
total investment in affordable homes

- **Implemented pilot net zero audits on long-term hold assets**
- **Enhanced sustainability criteria in our asset hierarchy**

Our environment

Achieve net zero carbon for our operations by 2030

90%
Renewable electricity purchased*

4%
Reduction in Grainger obtained like-for-like energy consumption

5%
Reduction in Scope 1-3 emissions per m^2

- **Measured and verified Scope 3 emissions**
- **Established a reduction target of 40% for upfront embodied carbon intensity from direct developments in design by 2030**
- **Extended our net zero carbon pathway to include Scope 3**

*There is a lag in transitioning new assets over to this contract, and this excludes commercial assets, projects in development and assets earmarked for disposal

GRAINGER'S APPROACH TO SUSTAINABILITY
(CONTINUED)

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Our People

Our Colleagues

Context

Grainger places people at the heart of everything we do, and this includes prioritising wellbeing and providing an inclusive living and working environment for our residents and our colleagues.

Our commitment

Ensure Grainger's workforce is reflective of society.

Actions in 2023

Implementation of our People Strategy

Our People Strategy identifies the strategic people levers required to help our people embrace our Company values and culture. It further develops our colleague experience and customer satisfaction, while building a better Grainger. It has supported the next evolution of HR transformation and builds on an already successful and inclusive culture, in which our people can thrive.

The way in which we deliver our Grainger values (see page 48), and in particular People at the Heart, continues to be a key driver to how we engage with colleagues, including the retention, attraction and development of high performing talent within the business.

Listening and acting on feedback

We value the feedback and views of our colleagues and provide multiple channels for them to share insight, suggestions or ask questions such as regular Company-wide calls including an open Q&A session directly with our CEO, plus regular engagement surveys.

This year, we continued to follow a colleague centric approach. By gaining colleague and leader input into initiatives set out in our People Strategy and adopting a 'test and learn' approach with pilot groups to gain feedback, we ensure new initiatives are landing well and enhancing colleague experience. A great example of this is our colleague social events programme which has been enhanced following feedback to improve inclusiveness for all teams.

Creating an inclusive and diverse workplace

At Grainger we want everyone to be themselves, creating a diverse workforce and inclusive culture where all colleagues thrive. Our D&I strategy is for everyone to feel included, valued and supported, which is why our continued focus on D&I remains a top priority.

To support our diversity and inclusion (D&I) ambitions, this year we committed to working towards achieving the National Equality Standard, an external benchmark that will help guide and steer further enhancements and improvements.

D&I is integral to all our thinking and our well-established employee-led Diversity & Inclusion Network continues to flourish, undertaking an extensive programme of awareness-raising activities and campaigns for both colleagues and residents.

Following the launch of our D&I questionnaire last year to track the diversity of our colleagues, we have updated the data we hold, which now covers 82% of our workforce, up 11 percentage points from last year. We have taken the following steps to support colleagues:

- We enhanced family leave provision in response to colleague feedback supporting all colleagues, genders and routes to parenthood
- We are a member of Carers UK which provides support, guidance and resources to colleagues via an external platform
- For office based colleagues, we have a hybrid working policy with core office days and flexibility around days worked from home

Image removed

Supporting colleagues to develop their skills for the future

Training and development is an important focus for us, to ensure that we can retain and attract the best possible talent for our business and ensure we, as a team, can continue to 'lead the way' in our sector.

Service Style Training – As part of every new colleague's induction, customer service style training is provided through our Service Style Network of internal trainers and network of Ambassadors, supporting the delivery of excellent customer service.

Career Development Framework blueprint – 'Unlocking Your Potential' – We have developed a Career Development Framework blueprint to support the development of greater transparency and clarity of the skills, behaviours and competencies required for key roles across the business. The pathway for build-to-rent teams has been launched and we continue to roll out the framework across the business to support careers at Grainger and as a mechanism to support colleague development.

Management Development – We have developed bite-sized People Manager training modules as part of a learning suite on Successful Recruitment, Onboarding & Induction and Successful Performance Reviews, to support the development of our leadership capability.

Mentoring – Following the launch in 2022 of our Grainger Mentoring Programme, we have seen this go from strength to strength with more mentors and mentees joining, to grow the scheme from 13-25 in the past year.

Further Education and Apprenticeships – We are delighted to have supported 17 colleagues with their apprenticeships or achieve professional qualifications to support them in their role.

Wellbeing

Colleague wellbeing is at the forefront for Grainger which is why we launched our Wellbeing Strategy, with feedback sought from colleagues to help shape our approach. We deliver the strategy through our wellbeing calendar, which includes educational events, training, and mental health champions.

Looking ahead

We will continue to implement our People Strategy and further develop our diversity & inclusion strategy including working towards the National Equality Standard.

ETHNICITY SPLIT

Chart removed

This data is derived from our workforce diversity tracking questionnaire undertaken annually, which now covers 82% of our workforce. This data ensures that we can better support our colleagues. We have an aspiration to reflect the communities in which we operate and this data allows us to understand how our workforce compares to our local communities. For example, using 2021 Census data, we know that in the North East and North West, two of our major places of employment, our employees are in line with regional ethnicity demographics. In London and the South East, our other major place of employment, our workforce is broadly reflective of the regional population. We have a plan in place to continue to support increased diversity across the business including senior management.

GENDER SPLIT

Chart removed

Excludes temporary and interim contract posts

GRAINGER'S APPROACH TO SUSTAINABILITY
(CONTINUED)

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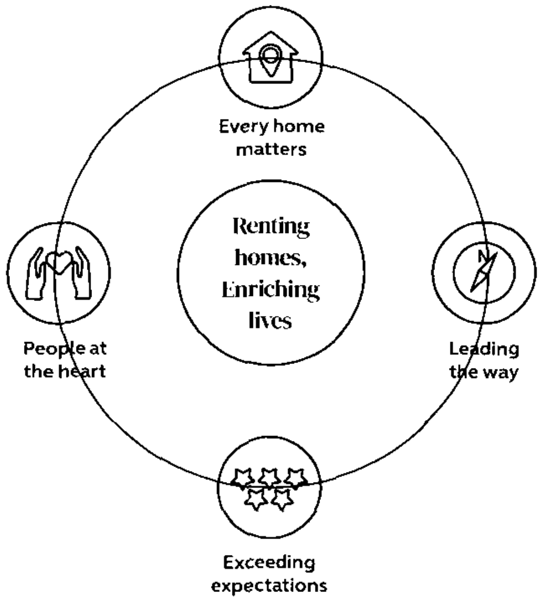
"The place is just fabulous, people are welcoming all the time. They are very responsive... I enjoy living there as it is really comfy and safe. Would like to keep living there for a long time."

Grainger resident,
Gilders Yard

Our Values

Our values direct how we make choices, **perform at our best** and set Grainger apart for our customers, employees, investors and partners.



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Every home matters

At Grainger we know that every home matters and we put people at the heart of everything we do. We are passionate about providing every customer with a great place to rent and call home

Image removed

People at the heart

We want our residents to feel safe, secure and happy in their homes and rent with us for the long term

Image removed

Leading the way

We are ambitious about leading the way and giving people the best renting experience and always look for smart and creative ways to improve our offering.

Image removed

Exceeding expectations

With over 100 years of experience, we know what we're doing and what our customers need to enjoy their homes in full

Our Communities

Context

Creating a community within and around our buildings is central to Grainger's approach and supports high levels of customer satisfaction and retention. We want to ensure everyone feels at home in their Grainger community and to provide opportunities for our colleagues and customers to support the development of a thriving local neighbourhood where our residents can put down roots.

Our commitment

Measure and deliver positive social value contribution to our customers and local communities

Actions in 2023

This year we invited our residents to join Grainger in giving something back to our local communities. We developed a charity engagement strategy for our operational sites and piloted engaging with local charity partners at four key clusters.

The charities we selected all help local people live well; they are aligned to Grainger's values and represent causes that our residents care about. We have seen really high levels of engagement with colleagues and residents getting involved in a range of activities including volunteering, collecting donations and fundraising

In Newcastle we have partnered with The People's Kitchen to provide donations and volunteering, helping people access meals and support just around the corner from our head office. Our Salford colleagues and residents have partnered with Salford Food Bank to collect donations and provide toiletries packs for local people in need. In Leeds we are working with Emmaus, a charity helping people to work their way out of homelessness, who are also collecting and restoring our customers' pre-loved furniture. Our East London cluster residents participated in a series of activities supporting Your Place, a local charity that provides a safe place for local people experiencing homelessness.

We also continued to provide six homes rent free to refugee families from Ukraine

Looking ahead

We will further develop our asset level community engagement plans and continue to roll-out our operational charity engagement strategy.

> ***"The resident services team are epic at not just making it a home, but a community to be proud of and be involved in."***
>
> **Grainger resident,**
> Clippers Quay

How we are delivering positive social impact

PROVIDING HOMES THAT MATTER

1,201 new homes delivered in FY23 and...

c.1,000 affordable homes now operational

BUILDING INCLUSIVE COMMUNITIES

30 events held in our buildings for local charities as part of our operational charity engagement

SUPPORTING OUR PEOPLE

we launched our new colleague wellbeing strategy and held

20 initiatives for colleagues including a yoga partnership with one of our commercial tenants

CREATING POSITIVE LOCAL IMPACT

through employing

7 local people to run our new schemes and ...

28 partnerships with local businesses

ENHANCING OUR RESIDENTS' WELLBEING

32 wellbeing events held in our buildings

12 trained mental health first aiders supporting our residents

GRAINGER'S APPROACH TO SUSTAINABILITY (CONTINUED)

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Our Assets

Context

Grainger is committed to delivering new homes that are affordable for local people to live in. The design of our buildings is informed by feedback from our residents and seeks to maximise energy efficiency, resident wellbeing and community creation. We take an active approach to asset management, to ensure our portfolio is future-proofed against physical climate risks and future policy and compliance requirements. Through Living a Greener Life, sustainability is embedded into our customer experience programme, ensuring we provide our residents with an affordable, inclusive and environmentally friendly renting experience.

Our commitment

Deliver enhanced investment decisions through incorporating ESG considerations including risks, costs and returns

Actions in 2023

In a record year of delivery, we continued to invest in new energy efficient homes and improve the environmental performance of our portfolio. Our homes are designed to be highly energy efficient, and 92% of new units delivered in the year have EPC ratings of B or above.

Several years ago we updated our specification to prefer fossil-fuel free schemes. 62% of our new build-to-rent homes have low carbon heating and we now have no further schemes with on-site fossil fuel heating in our secured pipeline.

We continue to incorporate sustainability enhancements into our specification and to consider sustainability criteria in the procurement of new product and service partnerships. In FY23 we introduced a new partnership for gym equipment with TechnoGym which delivers more energy efficient and human powered equipment, reducing energy consumption. The partnership enables our residents to connect to an app where they can work on their health and fitness in their apartments and the wider community in addition to their on-site gym.

Image removed

"The gym, lounge, co-working space, terrace and dining area are all added amenities that are unbelievable extras in this place, I now call home! The area is safe, secure and friendly, with town, shops, schools and key local places very close by!"

Grainger resident,
Enigma Square

We also increased our focus on sustainability criteria in our asset hierarchy to inform which assets we hold long-term, which ones we refurbish and which we recycle. Pilot net zero audits were undertaken at two long-term hold assets to inform the development of net zero asset plans.

Looking ahead

We plan to develop asset level net zero plans for all long-term hold assets which will inform our net zero transition plan.

Living a Greener Life

Living a Greener life focuses on five key areas:

1. **Raising residents awareness and understanding of their environmental impact**
2. **Helping residents save energy and reduce their running costs**
3. **Promoting waste minimisation and increased reuse and recycling**
4. **Encouraging residents to support local and build relationships in their local communities**
5. **Introducing initiatives in our buildings to promote greener living and support our journey to net zero**

Living a Greener Life is our customer engagement campaign helping our residents live well and live greener with Grainger.

The campaign is informed by resident feedback and surveys. Our residents told us that waste and recycling was their priority area of interest and this year we have implemented a series of events and campaigns focused on reducing waste, including a food swap shop in support of Stop Food Waste Day.

We have rolled out clothing recycling bins in our buildings and in FY23 diverted 19 tonnes of waste from landfill, saving 67 tonnes of CO_2. We also launched a community marketplace through the My Grainger app so residents can share pre-loved items with other Grainger residents.

Energy saving is also a key focus for our customers. We know that 74% of residents in our BTR buildings use the co-working space in their building to help save energy. This year we held an Energy Saving Week with events in our buildings and tips shared on social media and we introduced a new greener living guide that all residents can access on our app. Living a Greener Life was recognised by FPRA with an Outstanding Contribution to Society Award for the Environmental category.

graphic removed

50

Greener living themed events held in our buildings

1,500

Residents are active members of our marketplace for sharing pre-loved items

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"The app and all the clubs and celebratory days or socials we have had or been notified about including green and eco changes or help is something I think is wonderful to have in such a place."

Grainger resident,
Enigma Square

GRAINGER'S APPROACH TO SUSTAINABILITY
(CONTINUED)

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Our Environment

Context

Grainger is committed to decarbonising our business in alignment with the UK's net zero target. Grainger plans to own our new buildings for the long-term and therefore we are committed to reducing the carbon associated with their development and occupation over their lifetime. Our largest carbon sources are from development of new buildings and our customers' use of energy in their homes. Collaborating with our customers and supply chain to measure and reduce Grainger's Scope 3 emissions is therefore key to our net zero transition.

Our commitment

Achieve net zero carbon for our operations by 2030.

Actions in 2023

A key focus for our net zero carbon programme for FY23 was measuring our Scope 3 emissions. We are now able to report Scope 3 emissions for all relevant categories in our Streamlined Energy and Carbon Report (see page 113).

Our carbon linked to development projects is currently our largest source of emissions. As a developer of residential accommodation Grainger's key social contribution is to help address housing shortages in the UK. Our task is to deliver this social purpose in a carbon efficient way and so while absolute emissions will vary with housing delivery, we will focus on the carbon intensity of our housing growth.

This year we continued our work to measure the embodied carbon emissions for our development projects and have now established a baseline for embodied carbon generated from a typical Grainger project. We have agreed a reduction target to reduce embodied carbon by 40% for direct development schemes in design by 2030. We expect 20% of this reduction to be achieved through lean design and 20% through purchasing lower carbon materials and improving construction processes. On schemes currently in the design stage, we are exploring opportunities for leaner building design with the design teams. Our net zero carbon pathway which is available on our website sets out the assumptions that sit behind our targets including supply chain innovation, technological developments and grid decarbonisation.

Our other significant emissions sources are emissions generated from our customers using energy in their homes and emissions related to the supply of purchased goods and services. Our Living a Greener Life customer engagement campaign and customer emissions strategy are driving strong progress on measuring and reducing customer emissions (see pages 51 to 53). We continue to invest in energy efficiency improvements to our existing assets and 91% of PRS properties are now rated EPC A-C. The average carbon emissions from Grainger's portfolio continues to reduce and the carbon per m^2 from our properties reduced by 7% between FY22 and FY23.

We are focusing our supply chain engagement on the most material products and services. ESG criteria are considered in the procurement of key products and services, such as tenders for furniture, repairs and maintenance and external property management services.

We are committed to supporting industry wide change towards net zero and continue to participate in industry and political engagement. Highlights from the year include joining the British Property Federation's Sustainability Committee, feeding into the development of science based targets guidance for the buildings sector and attending workshops with the UK Government to explore opportunities to measure energy data from residential buildings.

Looking ahead

We are committed to reducing our emissions in alignment with the UK's net zero carbon target. In FY24 we plan to set a carbon reduction target covering our Scope 1 to 3 emissions.

Image removed

Measuring our customer energy use

Grainger's residents purchase their own energy and data protection requirements present a significant challenge to gathering data on actual energy use in our buildings. To overcome this, last year we developed our customer emissions strategy which we are now implementing on our PRS portfolio.

We have included a green lease clause in all new tenancy agreements and renewals to ensure we have our residents consent to obtain their energy data.

Readings are now taken when a property is void following a customer move out and before a new customer moves in and during interim property inspections, if the resident provides their consent.

We have now collated over 43,000 meter readings and have increased our coverage of actual data to 70% of PRS properties.

Analysis of the data showed that a significant source of our emissions is from heating homes, and this data is informing our decarbonisation plans. We have reduced emissions from fossil fuel heating by 6% between FY22 and FY23.

Emissions we have calculated from actual energy consumption data are lower than the previous estimates we reported from data on Energy Performance Certificates and demonstrate that our properties are more energy efficient than predicted and generate less carbon than typical UK homes.

We are also inputting our data into a landmark academic study to benchmark energy use in build-to-rent and have shared our learnings with the UK Government and our industry via the British Property Federation.

PORTFOLIO CARBON INTENSITY PER M²

-7%

CUSTOMER EMISSIONS FROM FOSSIL FUEL HEATING

-6%

"I'm really glad you're aiming to be carbon neutral and it makes me so glad I chose to live here."

Grainger resident,
The Forge

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TCFD Summary

Introduction

Grainger is committed to assessing, managing and reporting climate-related risks. This TCFD Report summarises Grainger's response to the TCFD recommendations. Climate-related information is also reported elsewhere in this Annual Report, and is signposted in the following table

Grainger responds annually to the CDP Climate Change Programme and our responses are publicly available at: https://www.cdp.net/en/responses

The climate-related impacts of Grainger's property portfolio are reported in the EPRA Sustainability Report published on Grainger's website at: https://corporate.graingerplc.co.uk/responsibility

TCFD recommendations	Description	Section
Governance		
Board oversight of climate-related risks and opportunities	Grainger's Board has oversight of the Company's sustainability strategy including climate. Grainger's Audit Committee undertakes a twice-yearly review of the Company's principal risks including climate change. The Responsible Business Committee reviews climate-related risks and opportunities and strategic implications as well as monitors progress against climate-related objectives and workstreams	Audit Committee report page 88
Management's role in assessing and managing climate-related risks and opportunities	Ultimate responsibility for all sustainability matters including climate-related issues lies with Grainger's Chief Executive and the Executive team. The CFO has oversight of the sustainability function. To better understand how inhibitors and opportunities impact on our strategy, we regularly review our detailed climate-related risk assessment involving the senior management team. Our forward-looking risk taxonomy drives a stronger focus on emerging risks including the transition to net zero. This supports our managers to prioritise risks that matter most and take sound and strategic business decisions.	Page 57
Strategy		
Climate-related risks and opportunities over the short, medium, and long-term	Climate-related risks are reported within principal risks. Material risks and opportunities affecting the business over the short term include increasing regulation and flood risk and over the medium to long-term include chronic temperature change and impacts on customer and investor demand	Risk page 67
The impact on the organisation's businesses, strategy, and financial planning	Climate-related risks are considered in property development, acquisition, refurbishment and recycling decisions. The business's transition to net zero is considered in strategic and financial planning with increased investment planned to improve Grainger's long-term hold portfolio. A summary of our net zero carbon transition pathway is provided on page 58.	Page 57
Resilience of the organisation's strategy, based on different climate-related scenario	Grainger has assessed the organisation's property portfolio against two climate-related scenarios (RCP 2.6 and 8.5) over three timeframes–current position, short-term (2030s) and mid to long-term (2050s and beyond). The strategic focus on developing net zero ready build-to-rent properties and upgrading the energy efficiency and quality of our long-term hold portfolio supports the Company's long-term resilience.	Page 58
Risk management		
Processes for identifying, assessing, and managing climate-related risks and integration of those processes into the risk management framework	The detailed climate-related risk assessment identified transitional and physical risks and opportunities. Those risks have been prioritised over the short, medium and long-term and appropriate actions put in place Climate-related risks are reviewed quarterly at relevant management committees including the Investment Committee, Finance Committee, Development Board and Operations Board. Climate-related KPIs and processes form part of our internal audit plan.	Risk page 67
Metrics and targets		
Metrics to manage climate-related risks and opportunities	The Key Performance Indicators used to manage climate-related risks and opportunities are reported on page 36	KPIs page 36
Disclosure of Scope 1, 2 and where appropriate Scope 3 and related risks	Grainger reports Scope 1, 2 and 3 GHG emissions in our Streamlined Energy and Carbon Report on page 113.	SECR Statement page 113
Targets used by the organisation to manage climate-related risks and opportunities and performance against targets	Grainger has committed to achieving net zero carbon for Scope 1 and Scope 2 GHG emissions by 2030. Progress towards our target is reported on page 52. We are also currently exploring an appropriate carbon reduction target including our Scope 3 emissions, following the establishment of our baseline in 2023. Grainger sets annual ESG objectives linked to Executive remuneration, and progress against these objectives is reported on page 103. This year we are also incorporating carbon metrics into our LTIP scheme for the first time	ESG page 44

Governance

Board oversight of climate-related risks and opportunities

Climate-related risks and opportunities are twice-yearly scheduled agenda items at meetings of the Board's Responsible Business and Audit Committees, both of which are attended by all Board members. The Responsible Business Committee receives an update on ESG strategy and specific related action plans, reviews progress against climate-related targets and objectives and receives a standing update on the external environment, which includes current and potential legislation and findings from stakeholder engagement, including those related to climate matters.

The Audit Committee reviews the company's principal and emerging risks twice yearly, which includes climate-related risks. The Board and members of the Executive team consider climate-related issues when setting objectives, in budget setting and through the Board's annual strategic review of the business. The Responsible Business Committee monitors progress against the business's ESG objectives and key strategic climate-related workstreams, including progress towards Grainger's net zero carbon commitment (see page 87) at all its meetings. Climate-related issues are also considered by the Board and Executive team in key investment and divestment decision-making and in allocating major capital expenditure. Board competency in relation to ESG including climate-related matters is considered through the assessments of skills and experience undertaken upon each appointment to the Board and as part of the annual Nominations Committee review.

Management's role in assessing and managing climate-related risks and opportunities

The Board has assigned responsibility for management of climate-related issues to the Chief Executive and Executive team. Executive Committee members are allocated ownership for the business's ESG objectives, including climate-related objectives. An ESG update which includes climate-related issues is a standing agenda item at bi-monthly meetings of Grainger's Executive Committee and includes a progress update against the business's ESG objectives.

Climate-related issues are considered within the Company's risk management framework which is overseen by the Executive Committee and Audit Committee. The Company's principal risks, which include climate change, are presented by the Risk Manager to the Audit Committee and to the Executive Committee twice yearly. They are also considered at meetings of various sub-committees which report into the Executive Committee, including the Investment Committee which considers climate-related risks related to property acquisitions and the Development Board which considers environmental risks and opportunities on development projects. The Chief Executive attends meetings of these sub-committees.

Examples of the key climate-related risks and opportunities discussed at these Committees during 2023 include:

- Investment Committee reviewed climate-related risks and opportunities for potential acquisitions, refurbishments and disposals
- The designs for Grainger's Birmingham and London office relocations including reuse and recycling of furniture and energy efficiency improvements were considered at various Committees
- Operations Board reviewed progress in implementing Grainger's customer emissions measurement strategy
- Executive Committee oversaw the development of the company's net zero carbon pathway and long-term actions to reduce Scope 3 emissions.
- Asset Management reviews were undertaken on portfolio energy efficiency performance and improvement plans

The Chief Financial Officer holds day-to-day management responsibility for assessing managing climate-related risks and opportunities. The Head of Sustainability & CSR reports to the Chief Financial Officer. Their responsibilities include ensuring the implementation of the Company's sustainability strategy, and monitoring progress towards Grainger's net zero carbon commitment through regular analysis of energy and carbon data which is presented to senior management at quarterly review meetings. The Head of Sustainability & CSR assesses and manages the opportunities and risks arising from climate-related issues day-to-day and ensures that key milestones and KPIs are monitored and reported at the relevant Executive Committee. This includes KPIs related to Grainger's net zero carbon pathway such as EPC ratings of C or above, energy consumption and Scope 1-3 GHG emissions.

GOVERNANCE OF CLIMATE-RELATED RISKS AND OPPORTUNITIES

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES (CONTINUED)

Strategy

Climate-related risks and opportunities Grainger has identified over the short, medium, and long-term

We have defined a longer time horizon for climate-related risks compared to other principal risks, based on the sector in which we operate, the geography and life of our assets. Short-term risks are forward looking to 2030, medium-term risks forward looking to 2050 and long-term risks are looking beyond 2050. Grainger is a long-term investor in our assets and therefore we consider these time horizons appropriate as they reflect the full asset lifecycle, which can extend to 100 years or beyond.

The company's corporate risk framework is used to determine which risks have a material financial impact, see pages 62 and 63. Our risk taxonomy is a classification of risks into categories and sub-categories supported by a risk matrix to consistently assess the impact of all risks including climate-related risks. It uses definitions for five different levels of risk assessed for impact and probability. Risks allocated to the top two categories ('major' and 'extreme') would have a substantial financial (£500k+) and/or strategic impact on the business. For more information on these assessments please refer to our CDP response (section C2 - Risks and Opportunities) at: https://www.cdp.net/en/responses

The potential climate-related risks and opportunities we have identified that could have a material financial impact on the organisation are:

Category	Risk / opportunity	Timeline	Business response
Transition	*Costs and technology implications of meeting increased legislation such as Future Homes Standard*	Short-term (<2030)	- Specification for new developments aligned to Future Homes Standard - Technology strategy reviewed through an ESG lens
	Increased revenues from development opportunities meeting the increased demand for energy efficient homes in response to climate-related changes in customer expectations	Short-term (<2030)	- Grainger's ESG approach including climate-related strategies is integrated into bid documentation for potential developments and in reporting to development partners
	Increased access to capital from responsible investors	Short-term (<2030)	- Sustainable Finance Framework - Extensive ESG disclosure to investors
	Increasing energy costs and energy security issues resulting from climate-related changes to the UK's energy sources	Short-term (<2030)	- Energy broker partnership and central energy contracts for Grainger procured energy - Refurbishments programme to increase energy efficiency - Investing in energy efficient buildings and reducing our customers' energy bills - Reducing reliance on energy networks operated by third parties and exploring alternative energy supplies for new developments
	Impact on investor demand for non-compliant assets may be impacted by the investor community's own response to climate-related issues	Short-term (<2030)	- Climate-related criteria integrated into asset investment and recycling strategies - Strategy to enhance the energy efficiency of our assets and ensure compliance
	Impacts of changing weather patterns and energy efficiency on customer demand	Long-term (>2050)	- Due diligence of acquisitions and existing assets includes climate risks and energy efficiency - Refurbishments programme to increase energy efficiency - Customer awareness campaigns to influence behaviour
Physical	*Increased risk of flooding*	Short-term (<2030)	- Due diligence of acquisitions and existing assets includes flood risk - Mitigation strategies including flood management plans in operation at assets with identified potential risk
	Increased severity and frequency of extreme weather events	Medium-term (<2050)	- Comprehensive Business Continuity Programme in place - Due diligence of acquisitions and existing assets includes physical climate risks - Mitigation strategies in operation at assets with identified potential risk

Impact of climate-related risks and opportunities on Grainger's business, strategy, and financial planning

The impacts of climate-related risks and opportunities on Grainger's business include

- **Products and services:** Increased wear and tear on buildings; increased asset values following refurbishments
- **Adaptation and mitigation activities:** Increased investment in adaptation measures for assets with potential climate-related risks; increased insurance costs
- **Investment in research and development:** Increased investment in piloting low carbon heating technologies
- **Operations and supply chain:** Business disruption, infrastructure damage; communication network damage; reputational damage
- **Acquisitions or divestments:** Increased investment in new developments; increased asset recycling
- **Access to capital:** Increased access to green finance from responsible investors and lenders

Potential climate-related risks and opportunities impact Grainger's business strategies around development, acquisitions, refurbishment and asset recycling. Climate-related issues are considered in the development and review of these strategies and as part of the annual strategic review of the business. Changes made to Grainger's strategies in response to potential climate-related risks and opportunities include enhanced asset due diligence pre-acquisition or pre-development, a bespoke specification for new developments, increased recycling of assets and investment in refurbishments to enhance the energy efficiency of assets. To future-proof our new acquisitions, climate-related criteria are integrated into our specification and due diligence of potential investments. We have amended our specification to include minimum energy efficiency requirements and to prefer non-gas heating systems to minimise future retrofits. Where we are able to, we have updated the scheme design for new buildings to eliminate fossil fuel heating.

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The potential impacts on the Company's financial position and financial performance include:

- Increased costs related to insurance, energy procurement, investment adaptation measures and compliance with regulation
- Increased revenues from rental income and sales for assets that have undergone energy efficiency improvements
- Increased assets related to increased values of existing properties and increased investment in new developments
- Reduction in assets from business disruption and infrastructure damage associated with any potential extreme weather event
- Potential for decreased asset values or early retirement of assets due to physical climate-related risks or any potential non-compliance with climate regulation
- Increased access to capital from responsible lenders and investors

Grainger's financial planning processes reflect the identified risks and opportunities, prioritising any requirements necessary to maintain regulatory compliance and then based on the estimated financial impact on the Company and its customers and the impact on our net zero pathway. The one-year budget and the five-year business plan both include estimates of the costs required to improve the energy efficiency and carbon performance of our assets. This includes for example expenditure to comply with expected future building regulations, to meet customer expectations and to mitigate any identified potential physical climate-related risks. The scale of this investment is within Grainger's normal levels of capital expenditure and the climate related improvements usually form part of wider packages of asset improvements and so we do not consider it possible to quantify the impact of these considerations on the financial position or financial performance of the Company. Climate-related considerations form part of discussions with the external valuers of Grainger's assets.

The impacts of climate-related risks and opportunities on demand for our assets and future investment market have also been considered. When determining which energy efficiency improvements to make to our buildings, we factor in the potential effects on running costs for customers and associated impacts on affordability, satisfaction and retention. For example, we are proposing to commence a replacement programme for gas boilers once they reach the end of their useful life from 2030 onwards. This is aligned to the UK Government's Heat and Buildings Strategy ambition to achieve cost parity between owning and running a gas boiler and a heat pump by 2030, ensuring we do not materially increase running costs for our customers. We have considered the potential impact of two climate-related scenarios (RCP 2.6 and 8.5) on our financial performance and position and consider that it is not possible to quantify an isolated impact from these scenarios. Our assessments indicate that our portfolio would remain operational albeit with potentially higher levels of flood and drought risk in line with many urban areas.

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES (CONTINUED)

Grainger does not currently use an internal carbon price, however we refer to external carbon prices in our decision-making, including the £95 per tonne price set by the Greater London Authority for carbon offset funds which Grainger pays into on its developments in London.

Grainger's net zero transition pathway

Grainger has committed to achieving net zero carbon for Scope 1 and Scope 2 GHG emissions by 2030 and our net zero carbon pathway sets out our approach to achieve this target and our high-level actions to reduce our Scope 3 emissions towards net zero. The key actions included in our net zero carbon pathway are:

Net zero carbon in operation	
Use less energy	Communal refurbishments
	Improve 100% of PRS properties to EPC C or above
Supplying energy efficiently	Replace gas communal heating systems at end of life cycle with low carbon alternatives
	Replace individual gas boilers at end of life cycle from 2030 with low carbon alternatives
	Aim for all heat networks to be decarbonised by 2040 subject to Government regulation
Renewable energy	*Grainger purchases 100% renewable energy*
	Grainger generates renewable energy through solar PV

Net zero carbon in development	
Direct development	Seek to achieve a 40% reduction in upfront embodied carbon emissions in Grainger's direct development projects in design by 2030 measured against the Whole Life Carbon assessment on the initial design for the scheme in question
Direct and forward funded development	Implement measurement and reduction plans for in-use embodied carbon
Forward funded development	Reducing our embodied carbon emissions from forward funded projects
Strategic land projects	Reducing our embodied carbon emissions from strategic land projects

Full details are published in our net zero carbon pathway available on our website at www.graingerplc.co.uk/responsibility

Resilience of Grainger's strategy, taking into consideration different climate-related scenarios

Grainger is supportive of the UK Government's target to transition to a net zero carbon economy consistent with the Paris Agreement temperature goal to limit global warming to well below 2°C and pursue efforts towards 1.5°C, and is aligning its business strategies to this transition. As a long-term investor in real estate assets which could be vulnerable to physical climate-related risks, Grainger has also considered a scenario consistent with increased physical climate-related risks.

In 2022, Willis Towers Watson undertook a physical climate risk assessment of the Company's long-term hold portfolio and build-to-rent development pipeline, assessing asset exposure to a range of acute and chronic climate risks. This analysis covered all current pipeline schemes and will be updated to include future acquisitions. The assessment used the following climate Representative Concentration Pathways (RCP) scenarios published by the Intergovernmental Panel for Climate Change:

- RCP 2.6 *which aims to keep global warming at +1.5°C (below 2°C) above pre-industrial temperatures. This requires prompt and significant reduction of GHG emissions*
- RCP 8.5 which assumes minimal abatement of GHG and associated global warming of 4°C over the longer term
- These scenarios were considered over three timelines: the current position, short-term (2030s) and mid to long-term (2050s and beyond).

The assessment identified some acute risk exposure to flood *and windstorm risks. Windstorm risk is typical for the UK* and could affect all assets with moderate (medium) intensity. *The Company's strategy to invest in urban locations results* in some exposure to flood risk in locations such as Bristol, *Leeds and London and one asset in Southampton is exposed* to storm surge. Affected assets have appropriate mitigations *incorporated into their design and operation.*

Under a high emissions scenario from the 2050s, drought stress and heat stress increase and become a medium risk which could impact water scarcity and customer wellbeing, however in the short term or under a low emissions scenario, these risks are rated low or very low risk. Subsidence conditions also increase beyond 2050 under both emissions scenarios. We will continue to assess potential risks in due diligence for future acquisitions and to make appropriate adaptations where required.

We have assessed the business's exposure to transition *risks and believe the business's strategy to sell older, less* efficient assets and invest in building highly efficient build-*to-rent properties and upgrading our long-term hold PRS* assets leaves us well-placed to meet the requirements of *the net zero transition. Climate change has informed our* asset management strategies and we have put policies *and processes in place to align to future climate-related* regulation and transition our portfolio away from fossil fuels. We therefore consider the business's current strategy to be resilient under both climate scenarios. The key assumptions used in our scenario analysis are decarbonisation of the grid by 2035 in line with the UK Government's timeline, that heat pumps will be the preferred technology for heating homes and will achieve cost parity with gas boilers for capital and running costs by 2030 and that heat network decarbonisation requirements will be introduced.

Risk management

Processes for identifying, assessing and managing climate-related risks

Climate change is considered to be a principal risk affecting long-term decisions made by the Company such as decisions on investments and divestments. Therefore it is considered in a broad context within the business's corporate strategy and as part of our corporate risk management framework (see page 67). Grainger identifies climate-related risks and opportunities both from within the Company through direct staff experience and engagement, and from external sources, including through engagement with industry bodies that

Grainger is a member of, our investors and partners, and through advice from our external sustainability consultants.

Corporate climate-related risks are identified and assessed through a number of channels including:

- Periodic sustainability materiality reviews, which include engagement with investors, customers and other stakeholders to identify the most material sustainability related risks and opportunities to the business
- Sustainability target-setting, monitoring and reporting processes – through internal workshops and meetings of the Responsible Business Committee
- Regular monitoring of current and emerging legislation
- Ongoing monitoring of sustainability risks by business division managers through corporate risk registers and risk management reviews
- Regular meetings of the business's Executive Committee and Management Committee, where business division managers feedback risks identified by their division that impact the Company or a specific business unit.

Portfolio and asset level climate-related risks and opportunities are identified and assessed through due diligence for new acquisitions and risk assessments for existing assets which cover specific climate-related risks such as energy efficiency ratings of properties and physical climate risks:

- For new acquisitions - review of sustainability risks for new acquisitions is undertaken by the Investment Committee. Geographical location plays an important part in the identification of physical risks during the due diligence process through the use of things such as flood and overheating risk assessments, and transition risks are identified through additional research and evaluation, such as assessing the proximity of the asset to public transport links using WalkScore ratings, and reviewing its energy efficiency ratings. Where a risk is identified, the experienced acquisitions team would work closely with the local planning authority and the developer to agree appropriate mitigation strategies
- For existing assets - risks are identified through compiling and analysing data on specific property attributes, such as flood risk, subsidence risk and energy efficiency ratings via data obtained from our insurance broker and recorded from property surveys. This data would typically be analysed annually and is used to inform asset management decision making and the business's asset recycling strategy.

Grainger's risk control framework applies a 'three lines of defence' model with clear divisions between each line. The Board of Directors approves the risk management framework and the Audit Committee supports the Board by monitoring and reviewing the control processes and mitigation for the identified risks. The processes for managing climate-related risks depend on the specific risk identified but include:

- Business continuity programme which protects the business against potential impacts from extreme weather events
- Membership of industry bodies including the British Property Federation and UK Green Building Council who assist us with understanding and influencing emerging regulatory requirements
- Implementation of specific mitigation and adaptation measures at assets identified as being exposed to climate related risks
- Comprehensive ESG strategy, commitments and reporting.

For more details on the Company's overall approach to risk management including management of climate change risk, refer to Principal risks and uncertainties on page 62.

Metrics and targets

Metrics used by Grainger to assess climate related risks and opportunities

Grainger assesses climate-related risks and opportunities through the following Key Performance Indicators:

Internal carbon prices are not disclosed as Grainger does not currently have an internal carbon price

Metric category	Metric	FY22	FY23
GHG emissions	GHG emissions (Scope 1 and 2)	1,345 tonnes CO_2e	937 tonnes CO_2e
GHG emissions	GHG emissions (Scope 3)	96,605 tonnes CO_2e	94,466 tonnes CO_2e
GHG emissions	GHG emissions per unit (based on emissions reported on EPC certificates)	2.1 tonnes CO_2 per unit	1.9 tonnes CO_2 per unit
Transition risks	% of build-to-rent properties with low carbon heating systems	68% of build-to-rent properties	62% of build-to-rent properties
Transition risks	Energy consumption	13,522 MWh	15,240 MWh
Transition risks	Renewable energy consumption	88% renewable energy purchased	90% renewable energy purchased
Climate-related opportunities	Renewable energy generation	132 MWh	144 MWh
Transition risks	EPC Ratings	87% of PRS properties rated EPC Band A-C	91% of PRS properties rated EPC Band A-C
Physical risks	Value of assets in locations with medium or high exposure to flooding	£532m	£650m
Physical risks	Value of assets in locations with high or very high baseline water stress (WRI Aqueduct)	£1,065m	£1,878m
Capital deployment	Investment in energy efficiency improvements	£10.5m	£9.1m
Climate-related opportunities	% revenues from 'low carbon' products (defined as properties with EPC Rating B and above)	48.6%	49.8%
Remuneration	Proportion of Executive remuneration linked to climate considerations	7% of the 2022 annual bonus opportunity	7% of the 2023 annual bonus opportunity

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES (CONTINUED)

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Additional disclosures on the Company's environmental performance for its property portfolios is provided in the EPRA sustainability reports available on the website at www.graingerplc.co.uk/responsibility

Scope 1, 2 and 3 GHG emissions and related risks

Grainger reports Scope 1, 2 and 3 GHG emissions in our Streamlined Energy and Carbon Report on page 113. Emissions have been calculated in line with the GHG Protocol Corporate Standard and include emissions for the preceding period and industry specific efficiency ratios to support trend analysis

Scope 1 and 2 GHG emissions and emissions for material Scope 3 categories are externally verified and the verification statements are published on the Company's website.

Grainger's customers purchase their own energy and data privacy laws make it challenging to obtain actual customer energy data to measure Scope 3 emissions. This year we have implemented our GDPR compliant strategy to obtain actual customer emissions data as reported on page 53. We have continued to implement our Living a Greener Life customer engagement campaign as reported on page 51.

Targets used by Grainger to manage climate-related risks and opportunities

Grainger has committed to achieving net zero carbon for Scope 1 and 2 GHG emissions by 2030. Progress towards our target is reported on page 59. This is an absolute target measured against a 2019 baseline. We are also currently exploring an appropriate carbon reduction target including our Scope 3 emissions, following the establishment of our baseline in 2023

Grainger's net zero carbon pathway sets out our key objectives and actions towards achieving our targets. Examples include

- Improve energy efficiency - Ensure 100% of eligible PRS properties achieve EPC Rating C
- Supply energy efficiency - Replace gas boilers at their end of life from 2030 onwards and in a manner that ensures we do not materially increase running costs for our customers
- Renewable energy procurement - Purchase renewable energy for all eligible supplies

Grainger is committed to transitioning to net zero carbon in alignment with the UK Government's 2050 target and with the goals of the Paris Agreement

Grainger sets annual ESG objectives aligned to the business's long-term ESG commitments. Performance against the ESG objectives, including climate-related objectives, informs the non-financial performance assessment of the bonus opportunity for the Chief Executive and Chief Financial Officer. This year the specific metrics linked to Executive remuneration included

- Baseline carbon emissions for Scopes 1 to 3 to be agreed, audited and published;
- Plan to be agreed and published for Scope 1 and 2 to achieve net zero by 2030;
- Longer term plan to be agreed for Scope 3 emissions; and
- Approach to tackle embedded carbon to be published based on best practice.

Refer to the Directors' Remuneration report on page 93. We are also incorporating carbon metrics into our 2023 LTIP scheme with a 10% weighting.

Compliance statement

Grainger confirms that:

- We believe our climate-related financial disclosures for the year ended 30 September 2023 are consistent with the Task Force on Climate-related Financial Disclosures ('TCFD') Recommendations and Recommended Disclosures (as defined in Appendix 1 of the Financial Conduct Authority Listing Rules)
- Our annual disclosure is contained in the pages above, please also see the sustainability section on pages 44 and 45 and our website
- We believe that the detail of these climate-related financial disclosures is conveyed in a decision-useful format to the users of this report

Section 172 Statement

Engagement with our stakeholders

The Board takes its responsibilities to all stakeholders seriously, and has acted consistently to promote the long-term success of the Company for the benefit of Shareholders, whilst having due regard to the matters set out in section 172(1)(a) to (f) of the Companies Act 2006.

An overview of the key channels and processes used for engagement with our stakeholders and outcomes from this engagement during the year are set out on page 76. A summary of the Board's activity and how matters raised through engagement have been considered in key decisions taken during the year is provided on pages 78 and 79.

Section 172 matter	Overview	FY23 comment	Relevant disclosures
The long term	Grainger is committed to being a long-term investor in homes and communities, and delivering long-term success to our Shareholders.	The Board undertook a comprehensive review and update of the business's long-term strategy during the year.	Business model pages 30 and 31
Employees	Employees are at the heart of our business and our People Strategy focuses on delivering the highest levels of learning and development, wellbeing and inclusion.	The Responsible Business Committee overseas employee engagement and consultation. This year we embedded our People Strategy, conducted D&I activities and applied for the National Equality Standard.	Our people pages 46 to 49.
Business relationships with suppliers, customers and partners	The relationships with our key partners and suppliers are critical to our ability to deliver and maintain high-quality rental homes. Strong relationships with our customers supports retention and creates a community within our buildings.	The Board considered reports on the management of our suppliers, alternative supplier arrangements and the review of our approach to procurement. The Board received regular reports on the business's Customer Experience Programme.	Suppliers page 79
The community and the environment	We consider communities to encompass those created within our buildings as well as those around them, and actively seek ways to promote thriving communities and to minimise our impact on the environment.	The Responsible Business Committee oversees community and environmental matters and biannual updates on progress against Grainger's long-term ESG commitments, its approach to net zero carbon and charity were provided.	Sustainability pages 44 and 45 Responsible Business Committee report pages 86 and 87
High standards of business conduct	Grainger is proud to be a FTSE4Good business and adheres to the highest standards of business conduct in interactions with all our stakeholders.	Our values set the standards of conduct for all involved in our organisation and our values were a key feature in our refreshed Company-wide customer service style training programme.	Our values page 48. Governance pages 70 to 116
Shareholders	We conduct regular direct engagement with our Shareholders through a range of channels, and ensure key issues raised are factored into strategic decision-making.	This year we continued our extensive programme of investor engagement which included over 620 meetings, 14 conferences and a Capital Markets Day with over 60 investors in attendance.	Shareholder engagement page 76

RISK MANAGEMENT

Effective risk management contributing to delivering sustainable growth

Our risk management framework is designed to identify the principal risks to our business and ensure that they are being appropriately monitored, suitable controls are in place and the required actions have clear ownership and accountability.

Risk management approach

Risk management is fundamental for meeting our operational and strategic objectives. The market we operate in requires effective decision-making, ensuring we properly assess risks, apply controls and balance with returns. We continue to closely monitor the external environment accepting that our influence over external factors can be limited, and we have demonstrated resilience to risks by focusing on internal controls and mitigants. Risk and resilience are important concepts to us that relate to our ability to absorb, recover, adapt, and transform in the face of stresses, change and uncertainty.

Our forward-looking risk management ethos drives a stronger focus on emerging risks that have the potential to rapidly become a challenge to our business including the transition to net zero. Our approach is to give appropriate balance to being responsive, forward-looking, consistent and accountable. At Grainger, we seek to do this by applying and reinforcing our risk management culture in the way we do business and by adopting a 'three lines of defence' model throughout the business (see diagram on page 63). Managing risks and maximising opportunities supports our growth and risk based decision making has provided an excellent outlook for the future.

We continue to learn and evolve our mature risk management framework which has shown its in-built flexibility and is capable of adapting to a swiftly changing environment. We have navigated the economic challenges facing the UK throughout 2023, including rising interest rates to contain inflation, with a strong balance sheet, fully funded pipeline and fixed cost debt.

Rigorous risk assessment

We consider a range of risk categories, including strategic, market, financial, legal or regulatory, operational, IT, project and people. We identify individual risks using both a 'bottom-up' and a 'top-down' approach.

We determine the potential probability and impact of each risk and give it a gross (before mitigation) and net (after mitigation) score. This identifies which risks depend heavily on internal mitigating controls, and those that require further treatment.

We use a risk-scoring matrix to ensure we take a consistent approach when assessing their overall impact. This year we have expanded key impact criteria to other categories of risk helping to enhance and further embed risk appetite. For risks in operational areas, we base their likelihood on how often they occur in a rolling 12-month period. We record their impact and likelihood scores in departmental risk registers. These risk registers are regularly reviewed, reflecting our adaptability where required. The appropriate internal committee reviews these registers at least quarterly. We then collate a Group top risk report for consideration by the Executive Committee and Audit Committee.

This process has identified ten principal risks which we monitor accordingly (see pages 64 to 67). Three of the principal risks have decreased in their likelihood assessment, whilst seven remain unchanged from their 2022 assessment. We have reached this prudent assessment after considering strong structural drivers, including a structural supply demand imbalance, supported by a positive political backdrop, the continued investment in our people supported by our people strategy, and the delivery of our committed pipeline reduces our risk exposure in 2023 compare to 2022. The diagram below illustrates this assessment.

Mapping our key risks and movement

Current principal risk areas

1. Market and transactional
2. Financial
3. Regulatory
4. People
5. Supplier
6. Health and safety
7. Development
8. Cyber and information security
9. Customers
10. Climate change

→ Indicates risk movement from last year

Graphic removed

We have a structured approach to the identification and assessment of emerging risks. Our internal committees are tasked with identifying risks on the horizon which may develop or already exist but are difficult to quantify. We use a 'risk radar' to capture these risks which are monitored continuously and reviewed regularly.

The detailed climate-related risk assessment undertaken during 2022, identified a number of transitional and physical risks and opportunities. Climate-related risks are inherently more complex and long-term in nature than most traditional business risks, and we have prioritised those risks over the short, medium and long-term and appropriate actions put in place. Climate change is also one of the Group's key principal risks (see page 67).

Risk control framework and appetite

The Board has ultimate responsibility for Grainger's risk management and internal control systems, and for determining the Group's risk appetite. As part of the risk management framework, the structure of risk appetite statements align to our principal risks and we have continued to undertake a detailed assessment of risk appetite for our principal risks, validating a conscious recognition and acceptance of the risk/reward trade off in pursuit of our strategy. The Board adopts a generally low tolerance for risk, particularly for regulatory and reputational matters. Regarding development risk, a medium risk appetite is tolerated by the Board in order to continue to capitalise on the substantial opportunity within the PRS, particularly in relation to build-to-rent schemes.

The Board approves the risk management framework developed by the Executive Committee. This year we appointed an external assurance company to evaluate the maturity of the risk management framework, the review concluded that our risk management practices provide a solid base and the risk management approach is at a maturing level. Our internal governance structure complements our evolution to a 'three lines of defence' model, with a view to having clear divisions between each line. This framework includes various management committees, with dedicated risk registers, overseeing key investment, operational and corporate functions.

The management committees and the Executive Committee examine the identified risks, reported controls, mitigation and the principal risk report. The Audit Committee supports the Board by monitoring and reviewing the control processes and mitigation for the identified risks. This process ensures we reconsider the principal risks. We monitor the internal control framework for these risks through the Internal Audit monitoring plan and the resulting audit outcomes.

→ **FOR MORE INFORMATION ON INTERNAL CONTROLS, PLEASE REFER TO PAGE 88.**

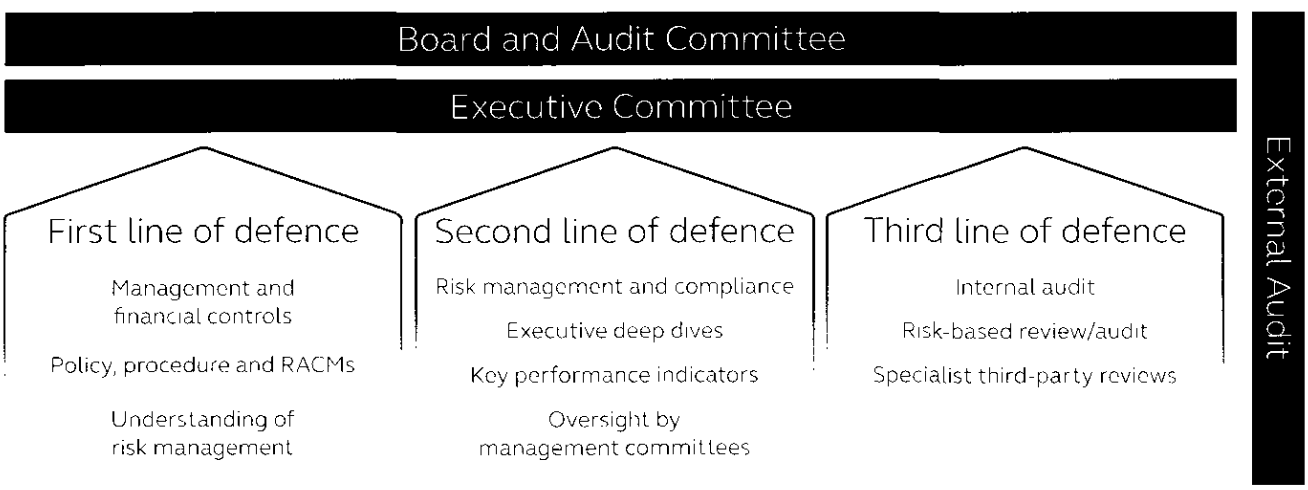
Assurance on risk controls is provided by internal management information, internal audits, external audits and Board oversight. We also hold assurance maps for our principal and operational risks.

Our risk culture promotes open communication, however, we support this by operating an externally supported whistleblowing hotline that our people can use anonymously if they do not wish to use our other processes for raising concerns.

The data protection activities of the business form part of Grainger's business as usual processes overseen by the Data Protection Committee, consisting of senior people from across the key areas of the business. The Board and Audit Committee are updated regularly on matters arising and activities undertaken to develop our data protection compliance regime. Our health and safety initiative, Live.Safe, which embeds a culture that puts health and safety at the heart of everything that we do, has remained a priority.

Looking forward to 2024, we will continue to closely monitor the external environment, managing risks and maximizing opportunities and paying particular attention to emerging risks. The application of a robust risk management framework and controls will continue to be fundamentally important, as well as having the flexibility to adapt to changing external conditions.

Risk control framework



Managing our principal risks and uncertainties

The Directors have systematically assessed the Group's principal risks. They have considered them across four years, which aligns with our viability statement on page 68.

Principal risks, uncertainties and opportunities

Risks are considered by the Board as an intrinsic part of strategy setting and consideration of new opportunities

UK outlook

The inflationary backdrop of the UK and the policies to bring inflation back to its target level have seen interest rate rises. As inflation begins to cool, rates are likely to decrease gradually. In such an environment, people will usually rent for longer.

Homebuyers are faced with a more challenging backdrop in 2023 as borrowers, who already face an increase in their cost of living, will find it more difficult and more expensive to get a mortgage. In contrast, the rental sector will remain extremely strong. The sales market has been challenging; however, we continue to have flexibility over capital recycling and optionality to respond to market conditions. Our valuation performance has proven resilient despite wider macro uncertainty, driven by our rental growth

In 2023, the focus on sustainability issues has intensified. Disclosure regulation and high energy prices have accelerated sustainability action. Customers that may not have prioritised sustainability in the past will demand improved energy efficiency to keep bills down.

As the market leader in the private rental sector, Grainger is strongly positioned for the future. The long-term structural supply constraints remain with build-to-rent comprising of only 1.7% of UK private rental sector households. We continue to support customer affordability levels through our research which has led to an understanding that our mid-market positioning against the backdrop of customer affordability reflects the quality and energy efficiency of our homes.

Also, going forward, we continue to scrutinise those risks most likely to impact our business model and disrupt operations, the impact of energy costs and the increased cost of living on demand in the private rental sector.

Market and transactional

Unchanged

Risk description

The UK economy is challenging with inflation remaining elevated, the labour market slowing, and interest rate rises to contain inflation. The high cost of living for households remains and limits the ability of occupiers to deal with the challenging economic conditions ahead.

Impact on strategy

The impact of energy costs and the rising cost of living affects demand in the private rental sector

Negative impacts to the valuation of our property assets, caused by a reduction in sales activity and the current housing market as borrowers face significant increases in their cost of living, steep increases in mortgage rates and fewer mortgage products

Significant cost inflation leading to increased costs on new developments and/or delays. Reduced consumer and investor confidence. Tighter financial conditions set by banks including rising costs and more limited availability of finance. Insufficient time and resources to satisfy our growth strategy

Key mitigants

Resilient valuation performance driven by strong rental growth, offsetting yield movement

Our regulated tenancies provide resilient income and are appealing to purchasers due to the inherent discount to vacant possession and a higher level of certainty around rental growth.

The unmodernised nature of our regulated stock is consistently appealing to potential purchasers on individual asset sales

We have a high proportion of liquid and diverse assets to enable sales where necessary, as was shown clearly in the last economic downturn.

To support capital growth, performance has been driven by income return, placing the focus on active asset management in our target towns and cities for future investment

Focus on PRS with the resilient nature of mid-market rents potentially leverages greater customer flexibility and lowers overall financial commitment compared with home ownership. Renting could be attractive for customers during uncertain economic periods, and rental growth has historically tracked wage growth, providing a hedge against inflation.

Impact on our business model

- Originate
- Invest
- Operate

Impact on our strategy

- Grow rents
- Simplify and focus
- Build on our experience

Cultural link to values

- Every home matters
- People at the heart
- Leading the way
- Exceeding expectations

Financial

Unchanged

Risk description

Macro, market, or borrower specific issues could result in the inability to obtain sufficient finance at acceptable prices and/or increase the cost of any existing floating rate debt

Impact on strategy

Lack of availability from credit markets; breach of loan and bond covenants; adverse movement in interest rates could have an unacceptable impact on the cost of new debt and existing unhedged debt adversely impacting delivery of the growth strategy and our ability to maintain a strong capital structure

Key mitigants

We successfully extended the term of our bank lending for a further year in 2023, locking in interest rates and increasing our weighted average debt maturity Our interest rates are very highly hedged giving good protection against rising rates

We conduct our business within Board-approved capital operating guidelines and interest rate hedging policy

We closely monitor our banking covenants and our performance against credit rating criteria and use this information to drive decision making

We have a diversity of financing sources and strong relationships with lenders. We engage early with lenders prior to funding requirements in order to mitigate against refinancing risk

Due to our close monitoring of the transactional pipeline, we can control the timing and number of new acquisitions, to reduce cash outflows if needed.

Our strategic focus is to increase income to provide greater interest cover. We have optionality over multiple sources of funding including recycling of regulated tenancies, debt and equity (equity markets permitting) with the ability to flex between sources.

We carry out detailed financial viability sensitivity testing and develop clear mitigation and contingency plans

Political and regulatory

Decreased

Risk description

Introduction of unfavourable legislation or regulation affecting Grainger's core business of developing, owning and managing rental homes, particularly the introduction of rent regulation or other measures which will impact on the business' operations, income and profitability

Impact on strategy

New regulation affecting our revenue streams and profitability, increasing the cost of compliance through greater administrative burdens or development costs. Risk of reduced rental income, reduced certainty of returns or profitability; risk of fines, penalties, and sanctions, in case of non-compliance; damage to reputation loss of operational efficiency and competitiveness; increased costs, reduction in market opportunities; impact on ability to finance opportunities; inability to build competitive PRS portfolio, attracting adverse publicity

Key mitigants

Proactively we have close involvement with leading industry bodies and engagement with the relevant government and political parties

Where required we retain specialist public affairs consultants to support our outreach, engagement and influencing on policy matters.

Our corporate governance structure ensures we have the framework and oversight to assess our obligations

We have an on-going programme of management and staff training

To react to an evolving landscape, we have invested in employing specialist legal, compliance and corporate affairs teams which monitor and advise internally, and review the regulatory horizon.

We have well established relationships with expert law firms and other professional services organisations who keep us updated about forthcoming changes to the regulatory framework.

We have strict asset management controls and compliance processes which can also adapt to change. Our position as the UK's foremost PRS provider brings a cultural ethos of leadership and best practice.

People

Decreased

Risk description

Failure to attract, retain, and develop an inclusive and diverse workforce to ensure we drive business transformation at a time of business growth

Failure to recognise our talented colleagues by providing development opportunities, workplace flexibility, a sense of purpose and remuneration

Impact on strategy

Reduced ability to achieve business plan and strategy, reduced control, inability to grow market share of the PRS, failure to innovate and evolve to maintain competitiveness in a customer-driven market; damage to reputation, increased colleague turnover and lower retention, failure to recruit a diverse workforce; increased costs for recruitment

Key mitigants

We have a strong strategic resourcing approach and people strategy which includes our build-to-rent sites which has lowered churn

We listen to our colleagues' views and opinions by undertaking six monthly engagement surveys and act upon the findings

We have a talent identification process and have succession plans for key colleagues.

We have a programme of learning and development for colleagues.

We carry out regular performance reviews with colleagues to identify opportunities to develop, and for internal career progression

We undertake regular reviews of our benefit structure against the external market to ensure we remain competitive.

We are committed to raising awareness and encouraging diversity amongst the workforce through a diversity network initiative

We have Board oversight and a member with specific responsibilities on colleague engagement.

PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)

Supplier

Unchanged

Risk description

Current macroeconomic factors creating increased risk of contractor failure, destabilising the commercial environment and impacting on logistics and supply chain activities leading to a significant failure within, or by, a key third-party supplier or contractor.

Impact on strategy

Reputational damage; increased costs; inability to achieve performance objectives, legal action and regulatory sanctions, customer dissatisfaction, a restriction on ability to grow platform, negative impact on organisational or portfolio growth plans. Increased Grainger workload to reschedule reactive and/or planned maintenance in a timely manner.

Key mitigants

Our procurement approach and policy promotes having a range of suppliers.

Our procurement approach and policy sets our intent towards internal controls and management systems regarding contractors/suppliers, which include counterparty reviews, and covenant *strength assessments are well developed.*

The approach ensures that key relationships are highlighted and are managed to a high standard. We work *closely with a number of legal specialists* appointed on their experience of understanding our business and ability to provide appropriate advice.

Our finance team supports in understanding the financial due diligence of our supply chain through regular dialogue and reviews.

We work closely with our supply chains to understand any impacts caused by the economic uncertainty.

Health and safety

Unchanged

Risk description

A significant health and safety incident, in particular a fire or gas safety incident or near-miss occurrence, owing to inadequate or inappropriately implemented procedures.

Our reputation as a leading landlord impacted by our ability and responsibility to understand and follow fire safety and building control requirements to *protect our residents. Ensuring the* performance of our portfolio aligns to our Environmental, Social and Governance standards.

Impact on strategy

Harm to customers, colleagues, *contractors, or visitors, possible legal* action or fine, subsequent reputational damage. Reduced investor interest.

Key mitigants

We have clear governance structures in place for health and safety. The Board *sets the direction, monitors and reviews* performance and delegates responsibility to the senior management team for ensuring a positive health and safety culture. Fire safety and the changes in this *field receives substantial focus from the* Board and across the business.

Our health and safety management system is supported by Live Safe, our *initiative to promote a positive health and* safety culture. All staff undertake a Safety Climate survey annually.

Our technology platform delivers efficient recording and reporting.

Our risk management framework applies *a system of close oversight and reporting* of health and safety matters.

We have planned and reactive maintenance measures in place, which assess gas, electrical, water, asbestos, fire and mechanical services.

We employ a dedicated Head of Building Safety as well as experienced and qualified H&S professionals.

Development

Decreased

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

Exposure to risk of cost overrun, cost inflation, income shortfall and yield expansion, affecting achievement of *the strategy and returns in developing* rent schemes.

Key mitigants

We monitor the capital we deploy to development matters carefully, following capital allocation guidelines and *updating hurdle rates to reflect prevailing* economic conditions.

We carry out thorough due diligence and in-depth research before committing to a scheme, ensuring we have a good understanding of the context, the contractor and its supply chain.

We proactively monitor cost inflation, rents and yields to allow us to identify trends and understand any negative risk impact.

We enter into fixed price contracts with our supply chain for construction.

We employ an experienced team with specialist development skills and have established relationships with expert advisers and development partners.

We have well-established governance structures which provide strong oversight to our development schemes, applying the skills of our in-house development *management experts, together* with qualified external consultants and professionals.

As part of our PRS strategy, the portfolio of development schemes now focuses on build-to-rent assets and does not seek speculative returns from investing in development that is solely for sale.

We continue to proactively identify global supply chain blockages and are pivoting to more resilient supply lines in a dynamic environment.

Impact on our business model

- Originate
- Invest
- Operate

Impact on our strategy

- Grow rents
- Simplify and focus
- Build on our experience

Cultural link to values

- Every home matters
- People at the heart
- Leading the way
- Exceeding expectations

Cyber and information security

Unchanged

Risk description

The breach of confidential data or technology disruption due to an internal or external attack on our information systems and data or by internal security control failure. The delivery of our technology platform has heightened this risk due to the adoption of Cloud SaaS Solutions and complex API integrations, which broadens our attack surface.

Impact on strategy

Financial loss, fines; reputational damage, operational and business disruption, loss of customers; loss of colleagues, share price devaluation: inability to serve our customers, manage our properties and conduct our business, competitive disadvantage: inability to meet contractual obligations.

Key mitigants

We employ an experienced IT team with the correct training, knowledge, and experience to defend our networks and deliver our strategy.

We engage external security expertise to carry out regular penetration testing to ensure our systems are robust.

We have implemented an online Cyber Security training and awareness system for all colleagues.

We operate a Security Information Event Management system which uses artificial intelligence to baseline normal digital behaviour and identify anomalies through advanced analytics, alert detection, and threat visibility.

We continue to evolve our suite of Information Security and Data Protection policies which provide guidance to colleagues and align to best practice standard ISO 27001.

We have a Cloud Security partner responsible for our security improvement programme and to ensure our technology platform is well understood, resilient and protected now and in the future.

Customer satisfaction

Unchanged

Risk description

Our ability to successfully retain our customers caused by a failure to fulfil our customer proposition and our service standards, amidst a backdrop of cost of living rises.

Impact on strategy

Negative publicity; increased complaints; poor customer experience, reputational damage, loss of customers, lower rental increases; rent arrears and higher voids.

Key mitigants

The UK rental market continues to have a hugely attractive outlook that favours the professional, large-scale landlord.

We provide high quality modern homes with lower running costs.

We have a dedicated Customer Service Desk with a single phone number for residents to raise queries.

We embed our ESG strategy across our business and throughout the customer experience.

Through our technology platform we have an improved lettings journey for all customers making it easier to lease and renew with us.

We continue to manage and support individual circumstances arising from the economic uncertainties.

We have a leading operating platform with substantial experience in managing a portfolio of approximately £3.3bn of assets and of meeting the requirements of our residential customers.

Our operating model is designed to provide a platform for optimising a customer-focused strategy.

Our proactive asset management means we can gather greater asset and customer knowledge.

We carry out customer service-focused reviews measuring customer preferences and satisfaction levels.

We monitor customer feedback through several channels, such as Google reviews.

Our colleagues receive customer service training, and their performance is measured against key metrics.

Climate change

Unchanged

Risk description

The impacts of climate change on Grainger's business and operations; including an extreme weather event: adaptation to changes in weather patterns, compliance with increased climate-related regulation; energy security and price volatility, the cost and technology implications of transitioning to a zero-carbon economy; customer and investor preference for more energy efficient properties and growing stakeholder expectations.

Impact on strategy

Business disruption, infrastructure damage communication network damage, increased insurance costs; reputational damage, increased wear and tear on buildings, cost of investment adaptation measures.

Decreased asset value, asset impairment or early retirement of existing assets.

Additional capital expenditure to adapt buildings, increased disclosure requirements, tougher building standards.

Risk to Company brand and reputation and associated impact on securing and maintaining investment.

Key mitigants

We work closely with Government bodies to influence and stay abreast of regulatory developments.

We are members of leading industry bodies who influence policy on energy efficiency and emerging building standards.

Due diligence of acquisitions and existing assets includes physical risks and transition risks such as flood and EPC risks.

We invest in improvements to our properties to mitigate and adapt to climate change.

We are a responsible business with a strong commitment to minimising our impact on climate change and comprehensive disclosure on our performance in alignment with TCFD.

We have a detailed net zero carbon strategy and pathway, with clear objectives and actions to achieve net zero carbon for our operations by 2030.

Climate-related metrics are integrated into Executive remuneration.

Our Business Continuity planning is governed by our Crisis Management team to ensure we're prepared for disruptions to our offices or sites.

VIABILITY STATEMENT

In accordance with the 2018 UK Corporate Governance Code, the Board has assessed the prospects of the Group over a longer period than the 12 months required by the 'Going Concern' provision. In doing so, the Board conducted the review considering the Group's financial position, business strategy, the current economic environment and the potential impact of our principal risks and future prospects.

The strategic plan is reviewed and approved by the Board each year, with year one forming the budget for the next financial year. This plan is regularly reviewed to ensure it remains reflective of current operating and macro-economic environments, and provides a basis for setting all detailed financial budgets and strategic actions that are subsequently used by the Board to measure and monitor performance and the Remuneration Committee to set targets for the annual incentive plans.

The Board has reviewed its strategic and financial plans in detail and believes that a viability assessment period to 30 September 2027 is appropriate, given this covers the period of the detailed strategy review and incorporates both the timescales for the significant majority of investments and returns currently considered as being secured and committed.

The Group's business model has proven to be strong and resilient throughout economic cycles even with higher levels of gearing, consistently demonstrating its ability to sell assets and let vacant properties to provide stable income returns and cash generation, even during challenging market conditions. Currently the Group directly owns £3.3bn of residential property assets, many of which are of a relatively granular nature which are attractive to investors and therefore relatively liquid, as proven throughout previous property cycles.

The Group would remain viable even in the event of severe and sustained house price deflation as it would be able to accelerate the natural conversion of our assets to cash including the sale of tenanted assets and reduce or suspend development and acquisition activity. Only an unprecedented and continued long-term decline in residential property valuations, significant reduction in rental income and lack of liquidity in UK residential property markets is a scenario that could conceivably cause a material threat to the Group. In this situation, the Group has the option to continue to let assets to generate income and protect overall asset value.

The financing risks of the Group are also considered to have an impact on the Group's financial viability. The two principal financing risks for the Group are the Group's ability to replace expiring debt facilities and adverse movements in interest rates. The Group has been successful in securing longer-term funding to deliver the secured PRS pipeline and has prepared the strategic plan on this basis. The Group currently has total facilities of £1,965bn with an average maturity of 5.5 years including extension options. At 30 September 2023, £1,549bn was drawn, demonstrating the significant headroom available. During the period of this review, £75m is due to mature in April 2026 (with extension options available), and a further £75m in July 2026. In addition, the Group continues to manage its interest rate risk exposure through fixed rate borrowing and with interest rate swaps matching almost all planned drawdowns. The Group has put in place hedging facilities covering expected drawings to ensure it remains sufficiently hedged until beyond the period of this review.

The viability assessment was made with the Group strategy forming the base case and then recognising the principal risks that could have an impact on the future performance of the Company. The base case reflects the Groups assessment of the current operating environment and these risks consider further changes to the macro-economic environment. The planning process incorporates severe scenario planning, with the amalgamation of multiple risks which may result from political and economic uncertainty, including sensitivities to rental level, asset valuations, financing and costs to assess the impact on the longer-term viability of the Company.

The sensitivity analysis involved modelling a number of scenarios. The most extreme downturn scenario, reflecting a severe economic downturn, incorporated the following assumptions during the assessment period:

- Reducing rental levels with lower PRS occupancy (-15%) and lower growth (-15%), impacting both income and property valuations;
- Further reductions to property valuations of 20%;
- Cost inflation on construction and operating costs of 20%; and
- Interest rates increase by 5% for the duration of the review period and our credit rating is downgraded causing the coupon rates of our two corporate bonds to each step up by 1.25%.

The amalgamation of these severe scenarios leads to an overall reduction in asset value of c.35% over the review period. Even at these levels and before any mitigating actions, LTV and ICR remain compliant with banking covenants through the period of this review.

Throughout this downside scenario, the Group had sufficient resources to remain in operation and compliant with its banking covenants. This scenario testing, together with the Group's strong financial position, current rent collection and lettings evidence, and mitigating actions available including selling assets and deferring non-committed capital expenditure, support the assessment that the Group will have the ability to continue to meet its liabilities as they fall due.

Based on the Board's assessment, the Directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the four-year period to September 2027.

Our 2023 Strategic Report from pages 1 to 68, has been reviewed and approved by the Board of Directors on 21 November 2023.

Rob Hudson
Chief Financial Officer

Image removed

Strong Governance focused on long-term success

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CHAIR'S INTRODUCTION TO GOVERNANCE

The Board considers leadership, culture and good governance, taking into account the interests of all our stakeholders, as essential to our continuing success

In this report

Leadership and purpose

The Board's primary function is to promote the long-term sustainable success of the Company. It does this by leading by example, promoting the culture of the business and ensuring effective engagement with, and considering the interests of, stakeholders. More information can be found on pages 72 to 79

Division of responsibility

The Board ensures that the Company has the correct balance of Executive and Non-Executive Directors in order to lead the Company effectively, with clear definition of the respective responsibilities of the Board and the executive leadership of the Company. Please see pages 80 and 81 for more details.

Composition, succession and evaluation

The Board maintains an appropriate balance of skills, experience and knowledge to ensure that it can effectively lead and govern the Company. Effective evaluation of Board performance and succession planning are crucial in this. To find out more please see pages 82 to 85.

Responsible business

The Board provides oversight of the delivery of the Company's ESG strategy including its 2030 'net zero in operations' commitment and its diversity and inclusion plans. Please see pages 86 and 87 for more details of our actions in this arena.

Audit, risk and control

The Board sets the Company's strategy, taking account of the need to balance risk and reward. With the oversight of the Board, the Audit Committee has established formal and transparent processes to oversee the independence and effectiveness of internal and external audit functions. Pages 88 to 92 provide details of these activities.

Remuneration

Our Remuneration Policy aims to ensure that the Executive team is appropriately and fairly incentivised, and aligned with long-term, sustainable strategic execution. We also monitor wider colleague remuneration across the business. More information is available at pages 93 to 111.

Dear Shareholders,

The Directors and I are committed to applying effective corporate governance and promoting the highest standards of behaviour and values throughout the Company.

I am therefore pleased to introduce this year's corporate governance report, in which we describe our governance arrangements, the operation of the Board and its committees, and how the Board discharged its responsibilities.

The Company has operated successfully in a challenging macro environment, arising from political and economic instability and uncertainty. Throughout the period, the resilience of Grainger's business model, and the growth opportunities in the sector have become increasingly apparent. The Company's priorities for this period have been ensuring that this resilience continues, we deliver our new schemes effectively and we make the most of the available opportunities while protecting the interests of our customers, colleagues and Shareholders.

The Board was able to provide strong support to the management team. We have considered and debated various challenging scenarios, taking into account the interests of all the Company's stakeholders.

Michael Brodtman, who joined the Board on 1 January 2023, has brought significant experience in the property sector and is already adding significant value to our growth and development plans.

This year is set to be a year of exceptional delivery on our business strategy. We have seven schemes due to complete this year, delivering a further 1,640 homes at sites across the country. The Board has focused on ensuring that this delivery is balanced with continuing focus on the effective management of our existing portfolio.

The Board has continued to focus heavily on the Company's ESG activities, which have seen good progress in embedding a data driven approach. We have overseen the development of a 2030 net zero plan and significant improvements in the measurement of both our direct emissions and those of our customers. We have received regular updates on the Company's activities in creating new communities at our sites and how we are maintaining our high customer satisfaction rates.

Image removed

The Board has continued to provide oversight of the proposed conversion to REIT status over the next two to three years, enhancing returns for Shareholders.

The Board conducted an assessment of the Company's strategy in June of this year. We looked at how the swift changes in the macro-economic backdrop, particularly the move from a low inflation, low interest rate environment to one of high inflation and high interest rates should affect our strategy. We concluded that our drive for growth should continue and the benefits of increasing scale remain unchanged.

Good governance also means ensuring we have rigorous risk management and controls in place and we have reviewed and strengthened our approach in this area. The application of the skills and experience of the Directors, coupled with the wide-ranging work of the Audit Committee, provides strong governance for the benefit of all our stakeholders. To learn more about our Board activity in 2023, please see page 75

Mark Clare
Chair

21 November 2023

"Grainger continues to increase the scale of its PRS business and deliver operational excellence through its culture, people and investment in technology."

Highlights

1. Oversight and leadership of the response to the volatile and challenging macroeconomic environment.
2. Compliance with the Corporate Governance Code during the year.
3. Enhancement of our ESG regime.
4. Board review and re-affirmation of strategy.
5. The Board visited our assets and met our team.
6. Focus on the wellbeing of staff and customers.

LEADERSHIP AND PURPOSE

4 1

3

6

2 5

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Key:

- (E) Executive Committee
- (A) Audit Committee
- (R) Remuneration Committee
- (N) Nominations Committee
- (B) Responsible Business Committee
- ◯ Committee Chair

Balance of Directors (as at the date of this report)

58%
Male

42%
Female

- Chair
- Executive Directors
- Non-Executive Directors

1. Mark Clare

Non-Executive Chair

Appointment

Appointed Chair in February 2017

Skills, competence and experience

Mark has wide-ranging experience in a number of sectors and extensive knowledge of the residential property market. He has substantial plc-level experience and is chair of Ricardo plc, senior independent director of Wickes Group plc and a non-executive director of Premier Marinas Holdings Limited. Mark was chief executive of Barratt Developments plc from 2006 to 2015, and is a former trustee of the Building Research Establishment and the UK Green Building Council. Prior to joining Barratt, he was an executive director of Centrica plc and held a number of senior roles within both Centrica plc and British Gas. Mark has also been a non-executive director of United Utilities Group plc, Ladbrokes Coral Group plc and BAA plc, the airports operator.

Tenure

6 years and 7 months

2. Helen Gordon

Chief Executive

Appointment

Appointed to the Board in November 2015

Skills, competence and experience

Helen is a highly experienced, proven and well regarded real estate investor. She has significant experience working across a wide range of real estate asset classes, including residential property. This is combined with an extensive knowledge of the City. Helen is the senior independent non-executive director of Derwent London plc, a non-executive director of BusinessLDN, vice chair of EPRA and a board member of the British Property Federation, of which she is the former President, having stepped down in 2020 at the end of her term. She is a chartered surveyor and before joining Grainger was global head of Real Estate Asset Management of Royal Bank of Scotland plc. She previously held senior property positions at Legal & General Investment Management, Railtrack and John Laing Developments.

Tenure

7 years and 10 months

7

Board of directors

3. Robert Hudson E
Chief Financial Officer

Appointment
Appointed to the Board in August 2021

Skills, competence and experience
Rob has nearly 30 years' experience in finance. Rob was previously the chief finance and operations officer and interim chief executive of St Modwen plc, where he worked from 2015 to 2021. Prior to that, Rob was the group financial controller at British Land plc from 2011 to 2015. Rob joined PricewaterhouseCoopers on graduation, then moved to Experian plc in 2000 where he held a number of senior financial roles, including global finance director of its Decision Analytics business and UK finance director. Rob is a qualified chartered accountant.

Tenure
2 years and 1 month

4. Justin Read A N R B
Non-Executive Director

Appointment
Appointed to the Board in February 2017 and appointed as Senior Independent Director in February 2022

Skills, competence and experience
Justin has substantial experience in real estate and corporate finance. Justin is a non-executive director of Ibstock plc, Affinity Water Limited and Marshall of Cambridge (Holdings) Limited, chairing the audit committee of all three companies. Justin is an adviser to Real Estate Balance and an independent member of the Investment Committee of the Logistis pan-European real estate fund. He was group finance director of SEGRO plc from August 2011 to December 2016. Between 2008 and 2011, Justin was group finance director at Speedy Hire plc.

Tenure
6 years and 7 months

5. Janette Bell A N R B
Non-Executive Director

Appointment
Appointed to the Board in February 2019

Skills, competence and experience
Janette is the managing director of FirstBus, part of FirstGroup plc. She is a director of the Confederation of Passenger Transport. Janette held the position of chief executive officer at P&O Ferries from January 2018 to September 2020. Janette is an experienced board director, with a breadth of operational experience in customer centric organisations. She was sales & marketing director for Hammerson plc and has also worked in senior customer strategy and marketing positions at PwC, Tesco and Centrica, where she was sales and marketing director of British Gas Services.

Tenure
4 years and 9 months

6. Carol Hui A N R B
Non-Executive Director

Appointment
Appointed to the Board in October 2021

Skills, competence and experience
Carol has substantial non-executive experience in a wide range of sectors and has particular expertise in law, sustainability and infrastructure. Carol is a non-executive director of Breedon Group plc, where she is the chair of the sustainability committee. Carol is also a non-executive director of the Lord Chamberlain's Committee in the Royal Household and a board trustee of Christian Aid. Carol was the non-executive chair of Robert Walters plc until 2020. In an executive capacity, Carol's most recent role was as chief of staff and general counsel at Heathrow Airport, stepping down in August 2021. Carol has served in senior positions in oil and gas, logistics and infrastructure companies. She was also a corporate finance lawyer at Slaughter and May.

Tenure
2 years

7. Michael Brodtman A N R B
Non-Executive Director

Appointment
Appointed to the Board in January 2023

Skills, competence and experience
Michael was Chairman of the UK advisory arm of CBRE, having spent a 40-year career at the agency. Michael led its valuation and operational real estate departments, growing specialist teams in emerging sectors and internationally. He moved into the role of chairman in January 2020 and retired on 30 June 2022.

Michael is a non-executive director of Target Healthcare REIT, Chair of the Industrial Dwelling Society and a strategic adviser to the Unite Student Accommodation Fund. He is a Fellow of the Royal Institution of Chartered Surveyors and a Trustee of Jewish Care, the health and social welfare charity serving London's Jewish community.

Tenure
9 months

LEADERSHIP AND PURPOSE (CONTINUED)

Purpose

Grainger's purpose is to enrich lives by providing high-quality rental homes and great customer service.

The Board keeps this purpose in mind when considering all decisions it takes.

Culture

The Board believes that the culture of a business, in conjunction with its values, is vitally important to its successful long-term performance and is integral to all that we do, including governance. How the Board members, particularly the Executive team, conduct themselves sets the culture within the Company.

The Board assesses and monitors the culture of the business to ensure that policy, practices and behaviour throughout are aligned with the Company's purpose, values and strategy. In November 2022, the Board received a detailed presentation from the Chief People Officer on culture and engagement and how it supports our strategy. The Board was informed of our employee engagement survey results, highlighting what we do well and the areas where the Company and its senior management can improve. The Board monitored activities to increase diversity and inclusion. The Responsible Business Committee provided details of our employee engagement plans to the Board.

We report further details on our culture and employee engagement on page 76. During the year, the Board and I have also spent time with our people from across the business, on site visits and took these opportunities to gauge their views on the business, the strategy and its implementation. The Board received the results of a review from the Chair of the Responsible Business Committee on employee engagement activities.

The Board oversaw and received reports on the progression of the people strategy, including enhancements to our recruitment, onboarding and induction programmes and processes, our ongoing mentorship scheme and our diverse talent and future leaders programmes.

The Company undertook a significant project in working towards accreditation with the National Equality Standard, recognising our commitment to diversity, equity and inclusion, involving interviews with many of our colleagues and a comprehensive review of our processes and practices.

We firmly believe that the culture of the Company is strong and has enabled us to perform well in these very challenging market conditions. Our people understand and support the strategic direction of the business and are focused on delivering it.

Stakeholder engagement

The Board believes that good engagement with stakeholders and investors is key to understanding their views. We are also supportive of the emphasis the Code puts on the wider stakeholder group, particularly the Board's duty under Section 172 of the Companies Act 2006. In order to achieve our aim of being the UK's leading residential landlord, we keep in contact with our people, customers, suppliers and investors to ensure that we harness their views and communicate the Company's progress. Please see page 63 for our Section 172 Statement, page 77 for our well-received Capital Markets Day and page 76 for examples of our work with our stakeholder groups.

Specifically, regarding our investors, Helen Gordon and Rob Hudson had over 600 engagements with the Company's Shareholders and analysts throughout the year.

Compliance with the 2018 Corporate Governance Code

The governance rules applying to all UK companies on the Official List of the UK Listing Authority are set out in the Code, published by the Financial Reporting Council ('FRC'). You can obtain copies of the Code from www.frc.org.uk. The Board fully supports the principles set out in the Code and confirms we have complied with all its provisions throughout the financial year ended 30 September 2023, except for Code provision 38 for which non-compliance existed until January 2023 in respect of the Executive pension equalisation issue referred to on page 110.

This report sets out Grainger's governance policies and practices and includes details of how the Company applies the principles and complies with the provisions of the Code.

As required by the Code, this report describes our activities and key achievements during the year, giving Shareholders and stakeholders the necessary information to evaluate how the Code's Principles have been applied.

Information flow

The Chair and the Company Secretary ensure the Directors receive clear, timely information on all relevant matters. Board papers are circulated well in advance of meetings to ensure there is adequate time for them to be read and to facilitate robust and informed discussion.

The papers contain the CEO's review, Finance review, reports on each business area, key figures and papers on specific topics of interest to the Board. Minutes of the Executive Committee meetings and detailed financial and other supporting information are also provided. The Board received presentations throughout the year from various departments across the business and from external advisers on subjects including financing, regulatory issues for listed companies, business valuation, ESG and customer feedback. The papers also contain information on how stakeholder interests have been taken into account when considering decisions taken by the Company.

The CEO also provides ad hoc updates to the Board on significant matters between meetings.

Effectiveness

The standard Board schedule sets six formal meetings throughout the year, one of which was a two-day off-site session specifically focused on a review of the Company's longer-term strategy.

The Board has a list of matters reserved to it, and a rolling annual plan of items for discussion, agreed between the Chair and the CEO. They review the list of reserved matters and annual plan regularly, to ensure they are properly covered, together with other key issues as required. At each Board meeting, the CEO provides a review of the business, setting out how it has been progressing against strategic objectives and details of any issues arising. In addition, items that require formal Board approval are circulated in advance with all supporting paperwork to aid appropriate decisions.

Members of the Board spent time visiting our buildings, Solstice Apartments and Enigma Square, in Milton Keynes, Gilders Yard in Birmingham and The Headline in Leeds. Board members met staff at these sites.

The Board activity table below shows examples of the subjects and matters the Board debated and considered throughout the year.

Attendance table to 30 September 2023

Executive Directors	Meetings attended	Meetings eligible to attend
Helen Gordon	6	6
Rob Hudson	6	6

Non-Executive Directors	Meetings attended	Meetings eligible to attend
Mark Clare	6	6
Rob Wilkinson	2	2
Justin Read	6	6
Janette Bell	6	6
Carol Hui	6	6
Michael Brodtman	5	5

Board meetings 2022/23

Board meeting Site visit

October

December

January

April

July

August

Board activity: How the Board spent its time

Strategic 25%

- Carried out an in depth review of Grainger's strategy. It considered further opportunities for growth in the current PRS market, and the macro-economic conditions of high inflation and high interest rates.
- Received market update reports and presentations from JPMC and Numis regarding performance in relation to the market and peer group companies.
- Considered competitor activity in the PRS sector.
- Monitored the economic, legislative and geo-political landscape and received and considered papers on the developing impact of the rising cost of living, political changes and high interest rates.
- Considered the ESG strategy for the business, including our 'path to net zero carbon', which is now an integral part of our business, and reviewed progress reports throughout the year.

Transactions 15%

- Reviewed reports on the progress of our development schemes proceeding in partnership with TfL.
- Considered material transactions and business opportunities including, among others, our PRS schemes in Milton Keynes, Guildford, London, Nottingham, Cardiff, Derby and Sheffield.
- Received reports on the progression of our existing development projects in the UK.
- Considered the ESG impact of prospective transactions.

People and culture 15%

- Received reports on the activities to increase the diversity of the business including the activities of the Employee Diversity & Inclusion Network.
- Received reports on roundtables with employees.
- Reviewed the culture of the business and employee engagement. This included the Chief People Officer presenting the results of the annual employee engagement survey to the Board.
- Reviewed reports and updates on the health, safety and wellbeing of our people and customers.

Governance 10%

- Undertook and considered an external evaluation of the Board's effectiveness.
- Received briefings on regulatory and governance issues.
- Considered Shareholder relations, in particular the feedback from investors and analysts in connection with the 2022 full year results and the 2023 interim results.
- Received reports on development of the ESG strategy and our activities in this area, particularly the 'Path to Net Zero' plan.
- Received reports from the Nominations, Audit, Remuneration and Responsible Business Committees.

Financial 20%

- Reviewed the Company's debt and capital structure.
- Reviewed the Company's financing plans.
- Considered the Group's financial performance throughout the year.
- Agreed the continued application of the dividend policy.
- Monitored performance of the agreed KPIs for the business.
- Received reports on interaction with the credit ratings agencies and insurance providers.

Operations 15%

- Considered health and safety matters.
- Considered management of our suppliers, and alternative supplier arrangements.
- Received reports from consultants on our customer service performance and other operational KPIs.
- Oversaw the development of Grainger's National Equality Standard accreditation project.

LEADERSHIP AND PURPOSE
(CONTINUED)

How the Board understands and responds to the needs of our stakeholders

The Board takes the interests of stakeholders into account when making decisions. The relevance of each stakeholder group may increase or decrease by reference to the issue in question, so the Board seeks to understand the needs and priorities of each group during its deliberations.

This, together with the combination of the consideration of long-term consequences of decisions and the maintenance of our reputation for high standards of business conduct, is integral to the way the Board operates.

We have continued to embed stakeholder interests into the culture and operating model of our business. Papers presented to decision-making committees include a section on stakeholders' interests.

A key focus for the Board over the last year has been developing our ESG activities. The Board received presentations and held discussions in relation to our activities in this area. The Board reviewed the actions taken to progress our strategy, including the 'Journey to Net Zero' strategy and updates on 'ESG and the External Environment'.

For net zero carbon, the key focus was establishing a Scope 1 to 3 emissions baseline against which to measure our future progress, and approval of our net zero transition pathway.

For the social value priorities, the Board considered the expectations of all stakeholders and was heavily involved in shaping the priorities. For more information on this please see page 49.

Grainger plc Board

Customers

Received reports on customer insight programme outputs

Reviewed and fed back on plans to improve customer service

Oversaw ESG initiatives, including 'Living a Greener Life' to assist customers to reduce energy usage

More detail on how Grainger delivered for its customers is included on page 78

Local communities

Reviewed reports on Grainger's engagement with local communities

Considered schemes in which Grainger participated at development sites

Reviewed community engagement plans

Shareholders

Reviewed and considered reports of meetings with investors

Considered questions and comments from analysts

Met with the Company's brokers to understand investor sentiment

More detail on Grainger's engagement with Shareholders is included on page 78.

Government

Considered reports on Grainger's contributions to Government matters

Oversaw Grainger's relationships with key local authority partners

Reviewed reports on meetings with Government, shadow government and party officials

Colleagues

Monitored employee engagement survey results

Chair of Responsible Business Committee met with colleagues in a series of roundtable meetings to canvas employee views

Received updates on the Company's application for National Equality Standard accreditation

Considered the gender pay gap for the business and means to address it

Engagement with employees at office and site visits

Received reports on the activity of the Employee Diversity & Inclusion Network

More detail on Grainger's engagement with employees is included on page 79.

Suppliers

Considered reports on key supplier relationships and performance and alternative supplier plans

Oversaw an overhaul of the Company's procurement strategy and approach to supply chain management

More detail on Grainger's engagement with suppliers is included on page 79

Key Shareholder events 2022/23

An on-going dialogue with our Shareholders is fundamental to ensuring that there is an understanding of the strategy and governance of the business, and that the Board is aware of the issues and concerns of our investors. In this section of the report, we highlight the key activities of our Shareholder engagement programme throughout the year.

October 2022

- Closed period

November 2022

- Company Results Roadshow
- UBS Global Real Estate Conference and property tour (London)

December 2022

- EPRA Corporate Access Day (London)

January 2023

- Barclays European Real Estate Conference & Property Tour (London)

February 2023

- AGM (Newcastle)

March 2023

- Citi Global Real Estate CEO Conference (Miami)
- Kempen European Property Seminar (New York)
- Berenberg UK Corporate Conference (UK)
- Bank of America EMEA Real Estate Conference (London)

April 2023

- Closed period

May 2023

- Company Results Roadshow
- Kempen Real Estate Conference (Amsterdam)
- EPRA IR Committee (Madrid)

June 2023

- Morgan Stanley European Real Estate Conference (London)
- Company Capital Markets Day (Milton Keynes)

September 2023

- EPRA Annual Conference (London)
- Bank of America Real Estate Conference (New York)
- Societe Generale European Real Estate Conference (London)

SHAREHOLDER BY REGION

Chart removed

- UK
- North America
- Europe
- Rest of the world

Substantial shareholdings

At 30 September 2023 and 31 October 2023 (being the latest practicable date prior to the date of this report), the Company is aware of the following interests amounting to 3% or more in the Company's shares

	29 September 2023		31 October 2023	
	Holding m	Holding %	Holding m	Holding %
BlackRock Inc	73.7	9.9	74.9	10.1
Norges Bank Investment Management	67.9	9.2	67.8	9.2
The Vanguard Group Inc	37.6	5.1	37.6	5.1
MFS Investment Management	35.7	4.8	34.4	4.6
Legal & General Investment Management	30.2	4.1	29.1	3.9
Man Group	28.6	3.9	29.5	4.0
Dimensional Fund Advisers	25.2	3.4	25.5	3.4
FMR LLC	25.1	3.4	25.2	3.4

Relations with Shareholders

The Group's website includes a comprehensive investor relations section, containing all Regulatory News Service ('RNS') announcements, share price information, annual documents available for download and similar materials.

We send out the Notice of Meeting and Annual Report and Accounts at least 20 working days before the meeting. We hold separate votes for each proposed resolution. A proxy count is given in each case. Grainger includes, as standard, a 'vote withheld' category, in line with best practice. Shareholders can also lodge their votes through the CREST system.

The Board believes that understanding the views of its Shareholders is a fundamental principle of good corporate governance. Strong engagement with stakeholders and investors is key to achieving this.

Investor relations are based on the financial reporting calendar, with additional engagement when considered beneficial to the Company. We have presented to more than 620 Shareholders, analysts and potential investors in the year. Helen Gordon, Rob Hudson and other senior staff members held the vast majority of these meetings and manage the Group's investor relations programme with the Director of Corporate Affairs. We always seek feedback at these meetings and present it to the Board. In addition, the Company Secretary engaged with a combination of fund managers and corporate governance officers of the Company's major Shareholders before the 2023 AGM. We anticipate a similar pre-AGM engagement process will take place in 2024.

Presented to over 620 investors

Attendance at investor meetings

Chief Executive	93%
Chief Financial Officer	92%
Senior executive	98%

Capital Markets Day

On 27 June 2023 we hosted our annual Capital Markets Day in Milton Keynes, attended by over 60 Shareholders, investors and analysts, opening with a tour of our Enigma Square scheme, followed by a presentation focusing on Grainger's investment in Milton Keynes, how we are de-risking development delivery and how we are harnessing data and customer insights to drive strong operational performance. We received excellent feedback highlighting Grainger's impressive operating platform and business model

LEADERSHIP AND PURPOSE (CONTINUED)

How the business understands and responds to the needs of our stakeholders

Customers

Stakeholder expectations

For Grainger to provide safe, high-quality homes and good service, whilst responding to their needs promptly.

How we engage

Understanding our customers and their needs, and communicating effectively with them, is essential to providing the great homes and service that we aim to deliver.

Our customer insight programme provides us with this essential knowledge and is factored into the decisions we take, the buildings we create and how we operate.

We use multiple communication channels and methods to reflect the wide range of customers we have.

Our far-reaching Customer Experience Programme is to designed to continually enhance and improve the Grainger rental experience for our customers. It includes bespoke customer service training for the entire business including our Executives.

Outcomes & examples

- Comprehensive customer insight programme including surveys, NPS tracking, online review tracking, focus groups and data analysis
- Delivered 1,201 new homes
- Refresher customer service training for all colleagues
- PRS Customer Net Promoter Scores increased by 20%
- 9 in 10 PRS customers surveyed say they 'Really Like' their Grainger home
- PRS average length of stay of 32 months

Shareholders

Stakeholder expectations

For Grainger to generate long-term, sustainable, attractive total returns and to meet Environmental, Social and Governance ('ESG') expectations.

How we engage

We have a comprehensive investor relations programme, which we build upon and extend each year. Activities include investor roadshows, conferences, trading updates, property tours and capital markets days. Key engagement events are reported on page 77. We ensure that we are both accessible and approachable and that we respond promptly to all queries.

We respond annually to a range of ESG benchmarks, as reported on page 36.

Outcomes & examples

- We have presented to more than 620 investors, analysts and potential investors this year
- We have spoken at four large panel events with a combined attendance of over 100 investors
- Received 40 pieces of analyst coverage, with ten analysts covering Grainger
- Attended 14 investor conferences/events
- Hosted two investor roadshows, a Capital Markets Day in Milton Keynes, with 60 investors in attendance, and ten property tours

Local communities

Stakeholder expectations

For Grainger to act responsibly and make a positive impact on the local area while listening to and taking on board local views, preferences and concerns.

How we engage

Grainger seeks to develop thriving communities both within and around our buildings. We conduct extensive local engagement and consultation around our assets and developments via events, meetings, and direct communications.

Supporting local is one of the goals of our Customer Experience Programme. We engage with local authorities and create partnerships to support local businesses and charities.

Our Residents Events Committee ensures our residents feel at home in their community through organising local activities and events and building relationships with the local community.

Outcomes & examples

- Developed a charity engagement strategy for our operational sites
- Partnered with The People's Kitchen in Newcastle upon Tyne, Salford Food Bank in Salford, Emmaus in Leeds and Your Place in East London
- Continued to provide six homes rent free to refugee families from Ukraine
- 424 residents and community events held throughout the year
- Living a Greener Life customer and colleague engagement campaign awarded EPRA Outstanding Contribution to Society Award
- Engaged with the City of Derby about their bondholder scheme

Colleagues

For work to be fulfilling and rewarding. To be fairly treated, recognised and remunerated. To operate in a safe and comfortable environment, with learning and development opportunities.

Our colleague's experience of working at Grainger is critical to our ongoing success. We actively seek feedback and listen to our colleagues and base our activity programme upon that feedback. Our internal engagement programme includes surveys, company-wide calls hosted by our CEO, our internal newsletter and our intranet. We organise a range of events for colleagues, including campaigns from our employee-led Diversity & Inclusion (D&I) Network and charity fundraising events.

Carol Hui, a Non-Executive Director and Chair of the Responsible Business Committee, is responsible for the Voice of the Colleague, including employee engagement.

- Acted on feedback from the D&I Network including enhancing the family leave provision
- Achieved 'Very Good' rating in our annual employee survey, run by Best Companies
- High levels of colleague engagement evidenced by above average, high response rates to feedback surveys
- Colleague-led internal roundtable events on a variety of topics
- Substantial progress towards National Equality Standard accreditation
- Regular Company-wide virtual calls led by our CEO, Helen Gordon

Suppliers

For us to act with integrity and professionalism, pay promptly and ensure that we are protecting the rights of all those employed through our supply chain.

Our key suppliers and partners are carefully managed to deliver agreed service levels and positive customer outcomes.

Our robust supplier selection process is supported by ConstructionLine and incorporates our CONNECT system, including Risk Radar services.

Proactive contractor management ensures regulatory, health and safety and modern slavery compliance.

- Invested in additional procurement and supply chain team personnel and capability
- Enhanced processes and policies introduced to manage group wide expenditure
- Consistently paying suppliers within our standard 30 day terms
- Regular supplier health and safety audits completed, with seven audits undertaken within the year

Government

For Grainger to lead the sector as a responsible employer and housing provider. To support Government in delivering its objectives such as increasing provision of high-quality homes and meeting its net zero carbon ambitions.

As the UK's leading landlord, we take a front-footed, proactive approach to engagement with the UK Government, and the main opposition parties and other relevant public bodies, such as Homes England, Greater Manchester Combined Authority and the Greater London Authority.

We respond to relevant Government consultations, meet with Ministers, officials and politicians on important topics affecting our sector and actively participate and contribute to our industry trade associations, the British Property Federation, Business London and others.

- More than 30 individual engagements with Government and shadow government ministers and officials, Local Authorities and political think tanks, charity groups including through private meetings, correspondence and property tours.
- Extensive engagement on the Renters Reform Bill.
- We engaged on Stimulating Housing Supply and Investment, Regional Growth, Selective Licensing, Building Safety Levy, Second staircases, Rental Affordability and other proposed legislation.

DIVISION OF RESPONSIBILITY

Governance framework

Grainger plc Board

Responsible to the Company's shareholders for the long-term success of the Group, its strategy, its values and its governance. Provides leadership of the Group and, either directly or by the operation of Board committees and delegated authority, applies independent judgement on matters of strategy, performance, resources (including key appointments), the overall approach to risk management and internal control, culture and standards of behaviour.

Audit Committee

Responsible for overseeing the Company's financial statements and reporting. Reviews the work of internal and external auditors and matters of significant judgement by management. It reviews the risk management framework and the integrity of the risk management and internal control systems.

Nominations Committee

Reviews the structure, size and composition of the Board and its Committees. Oversees succession planning for Directors and Executive Committee members. It leads the process for appointing Board Directors.

Remuneration Committee

Responsible for determining Remuneration Policy and level of reward for the Executive Directors and senior managers to align their interests with those of the Shareholders.

Responsible Business Committee

Oversees the development and implementation of strategies and policies in all areas of responsible business including climate change, environmental, social sustainability, employee engagement and diversity and inclusion.

Executive Committee

This Committee operates under the direction and authority of the Chief Executive. It makes key decisions on matters to ensure achievement of strategic plans, reviews strategic initiatives, ratifies executive decisions and considers the key business risks. It is supported by sub-committees, each focusing on an area of the business.

Management Committee

Responsible for the day-to-day management of the business and ensuring all senior leaders are briefed on business activity and priorities

Investment Committee

Reviews and approves material transactions, allocates investment capital and proposes investment hurdle rates for Board approval

Finance and IT Committee

Responsible for financial and IT matters across the Group, which include accounting, financial reporting, tax, treasury, corporate and commercial finance, procurement and IT issues for the business

Operations Board

Responsible for executing operations strategy, performance management, risk management and governance across the operating business

Development Board

Responsible for the strategy implementation, performance management, risk management and governance in relation to the development business

Health and Safety Committee

Responsible for overseeing and executing health and safety compliance activities across the business

Roles and responsibilities of directors

Role	Responsibilities

Chair

Image removed

Responsible for running the Board and ensuring its effectiveness. The Chief Executive reports to the Chair, as does the Company Secretary, on matters of corporate governance. The Chair is the guardian of the Board's decision-making process and is responsible for ensuring a constructive relationship between Executive and Non-Executive Directors and for fostering open debate with an appropriate balance of challenge and support. In accordance with the Code, the posts of Chair and Chief Executive are separate, with their roles and responsibilities clearly established, set out in writing and agreed by the Board.

Chief Executive

Image removed

Responsible for running the business and implementing the Board's decisions. She recommends the strategy to the Board and is responsible for implementing it. She chairs a regular meeting with the Chief Financial Officer and the additional members of the Executive Committee.

Chief Financial Officer

Image removed

Responsible for the financial stewardship of the Group's resources through compliance and good judgement. He provides financial leadership in the implementation of the strategic business plan and alignment with financial objectives.

Non-Executive Directors

Image removed

Image removed

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Responsible for bringing independent and objective judgement and scrutiny to all matters before the Board and its committees, using their substantial and wide-ranging skills, competence and experience. The key responsibilities of Non-Executive Directors are set out in their letters of appointment and include requirements to:

- challenge and contribute to the development of the Company's strategy;
- scrutinise the performance of management in meeting agreed goals and objectives, and monitor the reporting of performance;
- satisfy themselves that financial information is accurate, and that financial controls and systems of risk management are rigorous and secure; and
- oversee the Company's ESG, non-financial KPIs and employee voice programmes via the Responsible Business Committee.

A copy of the standard letter of appointment for a Non-Executive Director is available from the Company Secretary. During the year, the Non-Executive Directors meet periodically without the Executive Directors present and also without the Chair.

Senior Independent Director

Image removed

Acts as a sounding board for the Chair and serves as an intermediary for the other Directors where necessary. The Senior Independent Director will meet Shareholders if they have concerns, and where contact through the normal channels has not resolved the issue or is inappropriate. The Senior Independent Director leads the annual performance review of the Chair.

COMPOSITION, SUCCESSION AND EVALUATION
THE NOMINATIONS COMMITTEE REPORT

Image removed

"The Nominations Committee ensures that the Board has the right balance of skills, experience and knowledge to guide the Company."

Mark Clare
Chair of the Nominations Committee

Attendance table

Non-Executive Directors	Member since	Meetings eligible to attend	Meetings attended
Mark Clare (Committee Chair)	February 2017	2	2
Justin Read	March 2017	2	2
Rob Wilkinson	May 2017	1	1
Janette Bell	February 2019	2	2
Carol Hui	October 2021	2	2
Michael Brodtman	January 2023	1	1

HOW THE COMMITTEE SPENT ITS TIME

Chart removed

- Non-Executive Director succession and balance of skills
- Executive and senior management succession and pipeline
- Committee composition
- Governance

Dear Shareholders,

I am pleased to present the Nominations Committee report for 2023 which details the main activities we undertook during the year.

The Nominations Committee plays a fundamental role in ensuring we select and recommend strong candidates for appointment to the Board. The Committee monitors the balance of skills, experience, independence and knowledge of the Board and its committees, with any changes recommended to the Board for its review and decision. The Committee is also responsible for succession planning, and monitors talent development at senior management level.

Key responsibilities

The key responsibilities of the Committee are to:

- review the size, balance and constitution of the Board, including the diversity and balance of skills, knowledge and experience of the Non-Executive Directors, considering length of service of the Board as a whole and looking for membership to be regularly refreshed;
- maintain an effective succession plan for Board and senior management;
- identify and nominate, for the approval of the Board, candidates to fill Board vacancies, and ensure that appointments to the Board are subject to a formal, rigorous and transparent procedure;
- ensure that both appointments and succession plans are based on merit and objective criteria and promote diversity of gender, social and ethnic backgrounds and cognitive and personal strengths and works closely with the Responsible Business Committee with regard to the wider diversity and inclusion strategy and agenda.
- review annually the time commitment required of Non-Executive Directors;
- make recommendations to the Board, in consultation with the respective committee Chairs, regarding membership of the four Board committees; and
- conduct an annual evaluation of the Board, considering its composition, diversity and how effectively members work together to achieve objectives and whether each Director continues to contribute effectively.

Process for Board appointments

Before making an appointment, the Nominations Committee will evaluate the balance of skills, knowledge and experience currently on the Board. Following this, a specification of the personal attributes, experience and capabilities required to perform the relevant appointment is produced. In circumstances where external recruitment or benchmarking of an internal candidate is appropriate, an independent external search consultancy will be engaged to support the process. A recommendation is then made to the Board concerning the appointment of any Director. The Committee also supports the Board in the appointment of the Company Secretary when required.

Rob Wilkinson retired from the Board at the AGM in February 2023, having completed seven years' service. Michael Brodtman took up his role as Non-Executive Director on 1 January 2023, following an extensive and rigorous selection process involving external consultants and interviews with the whole Committee and is already having a positive impact on the Board.

Board composition and independence

In accordance with the Code, all current Directors will stand for re-election at the 2024 Annual General Meeting ('AGM').

Main activities of the Committee during the year

The Committee met formally on two occasions during the year to 30 September 2023, supplemented by other discussions to support the work of the Committee. At the formal meetings the Committee considered a number of standing agenda items relating to its key responsibilities detailed above. In applying those responsibilities, the Committee made decisions on a range of matters during the year, the most significant of which are referenced in this report.

Invitations to attend Committee meetings extend to the CEO, Chief People Officer ('CPO') and others as necessary and appropriate. Details of the Directors are set out on pages 72 and 73 together with a summary of their experience and skills.

The Board reviews Non-Executive Director independence annually, and takes into account each individual's professional characteristics, their behaviour at Board meetings, and their contribution to unbiased and independent debate. The Board agreed that I was independent on my appointment as Chair. The Board considers all the Non-Executive Directors to be independent.

Board performance evaluation

This year, the review of the effectiveness of Grainger's Board was carried out externally by Board Alchemy, an independent specialist board consultancy. The review was broadly based with no specific areas of focus or scope limitations. The effectiveness of the Committees was also considered as part of the review. Individual director performance has been conducted by the Chair drawing on the findings from the external board effectiveness review.

The review approach involved the completion of a detailed questionnaire by Board members, certain operational directors/members of the Executive Committee and the Company Secretary followed by one-to-one interviews with each of them. Board Alchemy also reviewed recent Board and Committee papers and observed the September 2023 Board meeting. Board Alchemy's work was facilitated by the Company Secretary's team. The Chair and the Senior Independent Director made themselves readily available to Board Alchemy during their work in the event that issues had arisen that needed prompt escalation.

Board Alchemy previously conducted external board effectiveness reviews for Grainger in 2017 and 2020. As a safeguard to the independence and objectivity of Board Alchemy's lead reviewer who led the previous reviews, a second reviewer (an experienced external board evaluator with his own practice), was extensively involved in the 2023 review to provide challenge and a different perspective to the lead reviewer from Board Alchemy.

Board Alchemy's report concluded that the Board and its Committees were operating effectively. A selection of findings and recommendations are set out below.

Image removed

COMPOSITION, SUCCESSION AND EVALUATION
THE NOMINATIONS COMMITTEE REPORT (CONTINUED)

Composition, succession and evaluation

Year 1	Year 2	Year 3	Year 4
2023 External	2024 Internal	2025 Internal	2026 External

Findings	Principal recommendations
• The Board's role is well understood, with good clarity between the role of the non-executives and executives. • Management provide effective support to the Board, producing high quality papers and responding to non-executive challenge without defensiveness • The Board's Committees work effectively by undertaking more detailed work in support of the Board; the Committees have appropriate Terms of Reference. • There is a good balance of skills and experience, and an appropriate level of independence, on the Board. Board members recognise the importance of having a diverse board, and there is generally good diversity represented including that of gender and ethnicity. • The Chair leads the Board well; good board dynamics are evident and the Chair has a constructive relationship with the CEO.	• The succession plan for the whole Board should be reviewed in 2024 having regard to their respective tenures as appropriate. • The Chair's commitments should be formally reviewed in light of feedback from some Shareholders. • Further opportunities should be created for Board members to spend time together informally. • The Chair should undertake annual performance appraisals for Non-Executive Board members and hold one-to-one sessions with each of them • The SID and the Chair should formalise meetings going forwards

The Board has developed an action plan to address the recommendations arising from the external board review. Progress will be monitored regularly.

Induction and professional development

Michael Brodtman's induction programme was completed, involving a comprehensive programme of meetings with senior Grainger team members, key contacts from our brokers, bankers, valuers, consultants and auditors

The Board is updated on a range of matters throughout the year. Subjects include the business of the Group, legal and regulatory responsibilities of the Company (including updates to the legislative landscape) and changes to accounting requirements. This takes the form of presentations by Grainger senior management, external and internal auditors and other professional advisers, and Board papers and briefing materials

We also expect individual Directors to identify their own training needs, and to ensure they are adequately informed about the Group and their responsibilities as a Director

The Board is confident that all its members have the knowledge, ability and experience to perform the functions required of a director of a listed company

Committee changes

It is our policy to have all Non-Executive Directors as members of all of the Board committees, as we have a small Board and we consider that this arrangement gives good visibility across the Company's activities. In line with this policy, Michael Brodtman was appointed as a member of the Nomination, Remuneration, Audit and Responsible Business Committees upon joining in January 2023

Diversity

The Directors are committed to having a diverse group of employees. This starts with having a balanced Board which includes diversity of perspectives, skills, knowledge and background. For gender diversity specifically, the Board continues to support the aspiration of the Hampton-Alexander Review to promote greater female representation on listed company boards.

We have instructed our recruitment agents to provide us with a diverse range of candidates. We make all appointments to the Grainger Board on merit, and within this context the Directors will continue to follow best practice on the issue of diversity as it develops further. At the date of this report, female representation at Board level was at 42%. The current level exceeds the 33% level recommended by the Hampton-Alexander Review

The objective for the Board and the Committee is to consistently have at least one-third of the Board being female Directors

The Board is also mindful of the Parker Review regarding ethnic diversity on UK boards that was published in 2017. The Review recommends that each FTSE 250 board should have at least one director of colour by 2024. The Board meets the recommendation of the Parker Review

The responsibility for diversity and inclusion across Grainger's wider employee basis is now within the remit of the Responsible Business Committee. For details on the activities in this area, please see pages 86 and 87.

Succession planning

The Committee received a detailed presentation from the CPO in relation to our succession plans for key people in the business and related retention strategies for them. Specifically with regard to succession planning of senior executives, a number of senior appointments were made during the year, including Henry Gervaise-Jones as Director of Group Finance.

The Committee also received presentations from the CPO in relation to the Company's talent management initiative, which seeks to identify and prepare future leaders of the business and the Diverse Talent Acceleration Programme under which we are identifying individuals from diverse backgrounds and supporting them in developing and progressing their careers at Grainger. This includes putting in place learning opportunities and interventions which add the most value, including external coaching

Time commitment

The Board, supported by the Nominations Committee, carefully considered the external commitments of the Chair and each of the Non-Executive Directors. The Board is satisfied that each Director committed enough time to be able to fulfil their duties and has capacity to continue doing so.

As mentioned in the Board performance evaluation and as stated at page 81 the SID leads the annual performance review of the Chair. For the year under review, the Chair was found to be performing effectively and to a very high standard. In particular Board colleagues considered that Mark Clare had sufficient time and capacity to perform his duties as Chair, and was extremely well prepared for Board and Committee meetings. Further, this assessment was carried out having due regard to the Chair's other professional commitments and appointments, and there was no indication that these impinged upon his Grainger duties and execution thereof

Justin Read, Senior Independent Director

Re-election of Directors

We continue to adopt the recommendations of the Code that all Directors offer themselves for re-election annually, even though the Company's Articles of Association only require this every three years. Therefore, all current Directors will stand for re-election at the 2024 AGM.

In light of the performance evaluation, the Board recommends that all Directors proposed are so elected or re-elected

Access to independent advice

All Directors have access to the advice and services of the Company Secretary, who ensures we follow Board processes and maintain high corporate governance standards. Any Director who considers it appropriate may take independent, professional advice at the Company's expense. None of the Directors did so in the current year.

Balance of knowledge, skills and experience

The Directors have wide-ranging experience as senior business people. The Board has particular expertise in finance, property and the listed company environment.

Mark Clare
Chair of the Nominations Committee

21 November 2023

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RESPONSIBLE BUSINESS
RESPONSIBLE BUSINESS COMMITTEE

Image removed

> ***"The Responsible Business Committee has allowed the Board to allocate more time to focus on strategic ESG issues."***
>
> **Carol Hui**
> Chair of the Responsible Business Committee

Attendance table

Non-Executive Directors	Member since	Meetings eligible to attend	Meetings attended
Carol Hui (Committee Chair)	March 2022	2	2
Janette Bell	March 2022	2	2
Mark Clare	March 2022	2	2
Justin Read	March 2022	2	2
Rob Wilkinson	March 2022	1	1
Michael Brodtman	January 2023	2	2

HOW THE COMMITTEE SPENT ITS TIME

Chart removed

- Net zero carbon
- ESG progress
- Community and social impact
- Diversity & Inclusion
- Voice of the Colleague

Dear Shareholders,

I am pleased to present Grainger's Responsible Business Committee report. Established in 2022, the Committee oversees a broad remit of responsible business topics including climate change, environmental, sustainability, social impact, employee engagement and diversity and inclusion. This report summarises the main activities undertaken during the year.

Key focus areas during 2023

During the year, the Committee reviewed reports from management and received updates from colleagues across Grainger's business on topics including progress towards Grainger's net zero carbon commitments, establishing an embodied carbon target, our charity engagement strategy, our colleague wellbeing strategy and our progress towards the National Equality Standard to further develop our diversity and inclusion ('D&I') approach. The Committee also received a report from me on the roundtables that I conducted to gather employee feedback.

The Committee had the opportunity to meet Grainger colleagues and to see our Living a Greener Life customer engagement campaign in action at site visits to Enigma Square and Solstice Apartments in Milton Keynes.

Key responsibilities

The key responsibilities of the Committee include:

- Agreeing and measuring progress against the Company's sustainability strategy, commitments and targets
- Overseeing and monitoring the development and implementation of the Company's net zero carbon transition plan
- Monitoring the areas and activities likely to impact Grainger's performance and reputation as a responsible business
- Reviewing and approving responsible business-related policies and disclosures
- Monitoring stakeholder engagement on relevant issues
- Gathering and considering the views of the workforce through Voice of the Colleague
- Monitoring the development and implementation of the Company's Diversity & Inclusion Strategy, plans and commitments
- Monitoring charitable and colleague volunteering activities
- Supporting the Audit Committee in reviewing responsible business-related risks and controls and the Remuneration Committee in setting responsible business-related Group objectives and approving the LTIP scoring in relation to these.

→ **THE FULL TERMS OF REFERENCE FOR THE COMMITTEE ARE AVAILABLE ON GRAINGER'S WEBSITE AT:**
HTTPS://CORPORATE.GRAINGERPLC.CO.UK/INVESTORS/GOVERNANCE/BOARD-COMMITTEES?TAB=RESPONSIBLE-BUSINESS-COMMITTEE

Since the Committee was established, it has allowed the Board to allocate more time to discuss strategic ESG topics.

→ FOR MORE INFORMATION ON ESG TOPICS, PLEASE REFER TO PAGE 44.

ESG progress

The Committee assessed progress against the Group 2023 ESG objectives reported on page 103 in the Directors' Remuneration report and workstreams in support of the business's long-term ESG commitments, reported on pages 44 and 45 in the Sustainability section.

The Committee received regular reports on the progress made with our 'Living a Greener Life' initiative, more detail on which is provided on page 51 of the report.

An update on regulatory changes and ESG risks was provided to the Committee, which included an overview of the forthcoming Sustainability Disclosure Requirements and Grainger's plans to ensure compliance, a summary of biodiversity related regulation and an update on the climate change risk deep dive.

Net zero transition

The Committee reviewed the business's updated net zero carbon pathway and was pleased to see strong progress made in measuring and reporting Scope 3 GHG emissions, including the results from the successful implementation of the customer emissions strategy which the Committee approved in 2022.

Embodied carbon continued to be a key focus with Grainger experiencing a record period of development delivery and the Committee reviewed and approved Grainger's embodied carbon roadmap and an embodied carbon reduction target for Grainger's direct development projects, reported on page 52.

Community and social impact

The Committee informed and reviewed the development of the Company's new operational community and charity programme and received an update from Grainger's resident services teams on the launch of the programme, the social impacts it has delivered and the feedback from Grainger's customers.

Diversity & inclusion

D&I are integral parts of our people strategy, and we are committed to creating an environment where everyone feels they belong and can bring their 'whole self' to work every day. To support our D&I ambitions, this year we committed to working towards achieving the National Equality Standard (NES), an external benchmark that will help guide and steer further enhancements and improvements. As Chair of the RBC, I was interviewed for the National Equality Standard assessment, and colleagues from Grainger's Diversity and Inclusion network participated in one of the five focus group sessions held. Full visibility of how we will work towards achieving the NES is overseen by the Responsible Business Committee and Grainger's Diversity and Inclusion Steering Committee which is chaired by our CFO and made up of Executive Committee members. Our colleague-led Diversity & Inclusion Network held a range of events including an inter-faith event, International Women's Day panel and activities throughout Pride month. Events celebrating diversity and inclusion were also integrated into our Residents Events Committee calendar of events for our customers and the Committee enjoyed hearing about the range of activities delivered and the enthusiastic participation from colleagues.

Following the launch of our first D&I data questionnaire, we have since issued it for a second year and we now hold diversity data for 82% of our colleagues.

Due to the success of our mentoring programme which launched last year, we were delighted to open it up for a second round and doubled the number of participants

Voice of the Colleague

The Voice of the Colleague has been led by me as Grainger's designated Non-Executive Director with responsibility as Chair of the Committee. Our approach to support colleague engagement is designed to enable colleagues to speak up, share their feedback and contribute views on what they are experiencing from an engagement perspective. During 2023, I held two roundtable events which were held in person and remotely as an open forum for colleagues to give their views in a safe environment. Colleagues who joined the focus groups represented a range of different roles across Grainger and shared their feedback Through the roundtable discussions it was noted that a number of initiatives have been rolled out that have enhanced communication. The insight gathered from these sessions has been incorporated into future engagement plans as part of our broader listening strategy. Please see page 46 of the People section for more examples around actions taken following the round table feedback sessions.

I have joined regular all Company calls which has provided opportunities to hear updates from colleagues in different parts of Grainger's business and to listen to the questions raised by colleagues and the answers given to them.

A deep dive into our employee survey engagement results was delivered by our Chief People Officer which gave further insight into our culture across the Grainger teams and will continue to be shared with the Committee at both full engagement and pulse survey points. Analysis and colleague feedback from the survey resulted in action plans being devised for each area of the business including supporting colleague wellbeing, assisting career development and developing our inclusive culture

Looking ahead

The Committee's key activities for 2024 will include further monitoring and challenging progress against ESG objectives and the new LTIP carbon metrics, approving a Scope 3 emissions reduction target and D&I strategy including working towards the National Equality Standard.

Carol Hui
Chair of the Responsible Business Committee

21 November 2023

AUDIT, RISK AND CONTROL
AUDIT COMMITTEE REPORT

Image removed

"The Audit Committee supports the Board in risk management, internal controls and financial reporting."

Justin Read
Chair of the Audit Committee

Attendance table

Non-Executive Directors	Member since	Meetings eligible to attend	Meetings attended
Rob Wilkinson	February 2016	2	2
Justin Read	March 2017	4	4
Janette Bell	February 2019	4	4
Carol Hui	October 2021	4	4
Michael Brodtman	January 2023	3	3

HOW THE COMMITTEE SPENT ITS TIME

Chart removed

- Financial reporting
- Internal control and audit
- Risk management and compliance
- Governance

Dear Shareholders,

I am pleased to present the Audit Committee report for the year ended 30 September 2023.

The Company and its business has proved to be highly resilient in a challenging and uncertain wider economic environment. The Committee's role within the Company's governance framework, including supporting the Board in risk management, internal control and financial reporting remains of fundamental importance.

This report provides an overview of the significant issues the Committee considered, and its assessment of the Annual Report and Accounts as a whole, including how we have reviewed the narrative reporting to ensure it is an accurate reflection of the financial statements.

Governance

As a matter of course, the Committee considers its terms of reference each year, taking into account changes to Grainger and to external governance requirements. In this regard, we have during the course of the year been mindful of the evolving requirements of the Government's reform agenda for the corporate governance regime, and notwithstanding a level of uncertainty over the details of this reform, the Company has been developing its audit and assurance regime in this regard.

Risk and controls

A key responsibility of the Committee is ensuring that the Company operates an effective risk assessment and management process and has an appropriately robust control framework in place. We were helped by the Internal Audit team at PwC, which reported directly to us, and which worked to an agreed plan to ensure controls were effective. This year we have spent time reviewing our risk appetite and tolerance across our principal risks.

The Committee has also supported the Board in considering the principal risks of the Company. We undertook a thorough review of the control environment during this period and it remains robust. We provide details of the risk management framework, principal risks and key mitigants on pages 62 to 67.

Financial statements

One of the Committee's other key responsibilities which we carried out during the year is ensuring the Group's published financial statements show a true and fair view and are consistent with accounting and governance requirements. We also considered the viability statement closely, having regard to the continued progress of the implementation of our rental market strategy, the overall strategic horizon and the current uncertainties of the UK and global economic and political environments. This included interrogating the financial models and related sensitivity analysis of various economic scenarios and amalgamations of these scenarios. In addition, we have concentrated on the fair, balanced and understandable requirements for the Annual Report.

In this regard, we are helped by receiving a number of appropriate papers from the Chief Financial Officer and his team, and by the independent work of our internal and external auditors.

As well as our planned work programme, we respond to key matters as they arise. Examples of this during the year included; revisiting Grainger's internal control environment and assurance appetite in light of the consultations and guidance emerging from the Government and the FRC; reviewing the operation of the Audit Committee itself in light of the FRCs consultation and publication of the Audit Committee Standard; and reviewing a maturity assessment on Risk processes prepared for the Committee by RSM Risk Assurance Services. The Committee noted the recent Government announcement that the proposed changes to corporate reporting requirements have been withdrawn to be replaced with simpler proposals in the future, and will continue to monitor and engage with the Government reforms as they progress.

Auditors

The standard of auditing is of crucial importance to Grainger and the Committee has received briefings and carefully considered the further developments in this area in the last 12 months.

The Committee is cognisant of the proposed review of the UK Corporate Governance Code and the transition from the FRC to the Audit, Reporting and Governance Authority ('ARGA'). The Committee has also received reports on the associated changes in internal controls requirements and our preparations for this are well advanced and progressing.

I believe the regular constructive challenge and engagement with management, the external auditor and the Internal Audit team, together with the timely receipt of high-quality reports and information from them, has enabled the Committee to discharge its duties and responsibilities effectively.

This year we undertook our external audit tender process and following a competitive tender process we reappointed KPMG. More detail is provided on page 92.

Justin Read
Chair of the Audit Committee

21 November 2023

Significant matters relating to the Group's 2023 financial statements

The most significant matters considered by the Committee and discussed with the external auditor in relation to the Group's 2023 financial statements were as follows:

1 Property valuations

Property valuation continues to be the most significant matter for consideration. In this respect, we received reports and presentations directly from the valuers and management on the assumptions utilised in valuing the Group's property assets, the suggested discount rates for reversionary assets and the valuations. We considered the prevailing valuation methodology and process.

We were content, after close scrutiny and debate, with the assumptions and judgements applied to the valuations. We also considered that the external valuers were sufficiently independent and capable and required that they present directly to the Committee. KPMG also independently reviews the valuation process and results. The results of the valuations form the basis of management's assessment to support the carrying value of investments in subsidiary companies by the parent company.

2 Recoverability of inventories

Management utilise the valuation information referred to above to perform an assessment of recoverability of inventories. Inventories comprise mainly residential trading property held for sale in the normal course of business. The valuations include references to comparable market evidence of similar transactions along with the Group's own evidence and experience in sales of similar assets. Along with our assessment of property valuations, we have considered management's assessment of recoverability of inventories and are satisfied that the approach adopted, and results, are appropriate.

Image removed

AUDIT, RISK AND CONTROL
AUDIT COMMITTEE REPORT (CONTINUED)

Invitations to attend meetings

There is a standing invitation to the Chair of the Board and the Executive Directors, who in turn attended all of the Committee's meetings during the year. The Director of Group Finance and representatives of the internal and external auditors also attended meetings of the Committee, and both sets of auditors met privately with the Committee during the year. Our valuers attend Committee meetings to explain their methodology, processes and conclusions directly

Role, responsibilities and experience

The Committee's role and responsibilities are concerned with financial reporting, narrative reporting, whistleblowing and fraud, internal control and risk management systems, internal audit and external audit.

Justin Read has recent and relevant financial experience as required by the Code. The Committee as a whole has the competence relevant to the sector in which it operates. Please refer to pages 72 and 73 for skills and experience of the Directors and page 82 for the Nominations Committee report.

Terms of reference

The Committee's terms of reference are approved by the Board. We confirmed during the year that they continued to be appropriate. We propose to continue our annual review of the terms of reference going forward. The Committee's terms of reference comply with the Code and they can be found on the Group's website

Objectives

The Board has delegated authority to the Committee to oversee and review the:

- Group's financial reporting process;
- system of internal control and management of business risks;
- internal audit process;
- external audit process and relationship with the external auditor; and
- Company's process for monitoring compliance with applicable laws and external regulations

Final responsibility for financial reporting, compliance with laws and regulations and risk management rests with the Board, to which the Committee reports regularly.

Meetings

The Committee's main work follows a structured programme of activity agreed at the start of the year. As well as its main work, the Committee undertakes additional work in response to the evolving audit landscape. Page 92 shows a non-exhaustive list highlighting the Committee's work during the year under review

Fair, balanced and understandable

The Committee has undertaken a detailed review in assessing whether the 2023 Annual Report and Accounts is fair, balanced and understandable, and whether it provides the necessary information to Shareholders to assess the Group's position and performance, business model and strategy. The Committee reviewed and made suggestions about the processes put in place by management to provide the necessary assurance that they have made the appropriate disclosures. The Committee considered management's assessment of items included in the financial statements and the prominence given to those items. This review also included receiving a final draft of the Annual Report in advance of the November 2023 Committee meeting. This was accompanied by a reminder of the areas the Committee should focus on having regard to the Audit Committee Institute guidance, and how it can be applied to the draft Annual Report. The Committee, and subsequently the Board, were satisfied that, taken as a whole, the 2023 Annual Report and Accounts is fair, balanced and understandable.

Going concern and financial viability

The Committee reviewed the appropriateness of adopting the going concern basis of accounting in preparing the full year financial statements and assessed whether the business was viable in accordance with the requirements of the Code. The assessment included a review of the principal risks facing the Group, their financial impact, how they were managed, the availability of finance and covenant compliance, together with a discussion as to the appropriate period for assessment. The Group's viability statement is on page 68

External auditor objectivity and independence

The objectivity and independence of the external auditor are critical to the integrity of the Group's audit. During the year, the Committee reviewed the external auditor's own policies and procedures for safeguarding its objectivity and independence. There are no contractual restrictions on the Group appointing an external auditor. On three occasions during the year the audit engagement partner made representations to the Committee as to the external auditor's independence. This also confirmed that KPMG's reward and remuneration structure includes no incentives for the audit partner to cross-sell non-audit services to audit clients. KPMG duly applies the requirement to rotate audit partners every five years. This will be the fifth and final audit conducted under Richard Kelly, the current partner, and the Committee oversaw the process of appointing Craig Steven-Jennings as the new audit partner who is working with Richard to ensure an effective handover and smooth transition.

The Committee appraised KPMG's performance by assessing its audit plan, the quality and consistency of its team and reports received and discussions held with the Committee. The Committee considered the FRC's guidance and noted the steps taken by KPMG in this regard which include having a separate Audit Board. In addition, we received feedback from the finance team. We also considered the tone of KPMG's relationship with the Executive, which we assessed as constructive and professional yet independent and robust

In respect of KPMG's independence, the Committee applies its policy for the use of external auditors for non-audit services. This policy substantially restricts the types of non-audit services that can be rendered and specifies the limited circumstances in which an engagement can be made.

Services the external auditor is prohibited from providing to the Group include, amongst others:

- bookkeeping and preparing financial information;
- the design, supply or implementation of financial information systems;
- appraisal or valuation services;
- internal audit services; and
- actuarial services.

Regarding potentially permitted non-audit services, key criteria that must be evidenced to the Committee's satisfaction is that the external auditor is best suited to undertake the relevant services and that the engagement will not jeopardise external auditor independence.

The engagement of KPMG for the provision of non-audit services requires prior approval from the Audit Committee Chair.

The non-audit services provided by KPMG, set out in the table below, related primarily to their review of our half year reporting. This was approved by the Committee in 2023. In making their decision, the Committee was duly satisfied that the:

- key criteria noted above had been satisfied;
- non-audit services policy had been applied; and
- appointments were in the best interests of the Company and its stakeholders.

The Committee considered the FRC Revised Ethical Standard 2019 and noted that this activity is permitted. The Committee was also satisfied that the overall levels of audit related and non-audit fees were not of a material level relative to the income of the external auditor firm as a whole.

External auditor tenure

The Company confirms that it has complied with the Competition and Markets Authority's Order for the year. Following this year's audit, KPMG will have been the Group's auditor for nine years. In line with best practice guidance to promote competition in the Audit market, the Committee considered that it was appropriate to tender the external audit early to allow time for other potential bidders to exit non-audit engagements with the group and establish independence. The Committee approved the approach to the tender process and a tender committee was formed, led by the Chair of the Audit Committee and including Grainger's CFO, Director of Group Finance and Group Financial Controller. The CEO also attended tender presentations and participated in the evaluation process. The process was undertaken in full compliance with the requirements of the Companies Act 2006 and the Code.

The tender committee recommended to the Committee that KPMG and PwC were put forward to the Board for consideration, with a recommendation that KPMG be re-appointed. The Committee adopted this recommendation and the Board likewise agreed. Subject to shareholder approval at the 2024 AGM, KPMG are to be re-appointed as the Company's external auditors.

Internal controls

The Board, assisted by the Audit Committee, is responsible for reviewing the operation and effectiveness of the Group's internal controls. This internal control system is designed to manage risks as far as possible, acknowledging that no system can eliminate the risk of failure to achieve business objectives entirely. The Board did not identify any significant failings or weaknesses in the year.

The Board is also responsible for ensuring that appropriate systems are in place to enable it to identify, assess and manage key risks. The preparation of financial statements and the wider financial reporting process and control system are monitored by the adoption of an internal control framework to address principal financial reporting risks. The Code requires us to carry out a robust assessment of emerging risks as well as principal risks, explain in the Annual Report what procedures are in place to identify emerging risks and explain how these risks are being managed or mitigated. Please see pages 62 to 67 for details of how we addressed the requirements.

The effectiveness of the controls is evaluated by a combination of review by all of the Grainger management committees and boards, and the internal and external auditors.

The performance of the Committee is reviewed as part of the Board effectiveness review, more information on which can be found at page 84.

Internal Audit

PwC is appointed by the Company as Internal Auditor, working with our internal audit resource in a co-sourced model. Internal Audit focuses on the areas of greatest risk to the Company. Audits are considered during an annual audit planning cycle. This is informed by the results of current and previous audit testing, the Company's strategy, performance and the risk management process. Additional audits may be identified during the year in response to changing priorities and requirements.

The Committee approves the plan and monitors progress accordingly. All Internal Audit findings are graded, appropriate remedial actions agreed, and progress monitored and reported to the Committee.

Schedule of fees paid to KPMG	Year ended 30 September 2023 £
Statutory audit of Grainger Group	546,000
Total audit fees	**546,000**
Half year review	57,600
Total non-audit fees	**57,600**

AUDIT, RISK AND CONTROL
AUDIT COMMITTEE REPORT (CONTINUED)

Key activities

November 2022

- Received a presentation from the independent external valuers of Grainger's reversionary and market rented assets
- Considered and received matters relating to the 2022 full year, including:
  - management's summary of the accounting positions,
  - KPMG's year end audit report,
  - going concern and viability review of the business; and
  - the draft Annual Report and Accounts
- Considered KPMG's independence and recommended to the Board KPMG's re-appointment.
- Received an audit plan update and Internal Audit reports on:
  - IT key controls; and
  - site audits of Windlass and Apex Gardens

February 2023

- Received an internal audit plan update and review of the provision of services in future and Internal Audit reports on procurement and contractor management;
- In respect of risk, considered
  - a compliance update, and
  - whistleblowing arrangements
- Reviewed the Company's Modern Slavery Statement.
- Received a report on audit and governance reform.
- Considered KPMG's plan for its review of the 2023 half year results
- Reviewed and approved the Committee's terms of reference
- Conducted a post-completion review of the Apex Gardens development scheme.
- Carried out a detailed evaluation of the performance of the external auditors. Considered it to be effective and also identified certain areas for future improvement
- Reviewed a detailed paper on the external audit tender process

May 2023

- Considered issues regarding the 2023 half year results, including:
  - the draft half year financial statements and announcement;
  - management's judgements and assessment,
  - KPMG's half year review report, and
  - feedback from the valuer half year reports.
- Conducted a post-completion review of The Filaments and Pin Yard development schemes.
- Received Internal Audit reports on:
  - insurance,
  - treasury;
  - Sales;
  - RACM review; and
  - site audit reports on Pin Yard and Argo.

September 2023

- Considered the 2023 draft viability statement and related analysis.
- Considered KPMG's audit strategy memorandum and engagement regarding the audit for the full year 2023
- Considered and approved the forward Internal Audit plan
- Reviewed the timetable for production of the Annual Report and Accounts
- Received Internal Audit reports on:
  - HR and Wellbeing,
  - Data protection,
  - cyber attack prevention;
  - site audits for The Forge, Abbeville and Gilders Yard
  - progress of completing actions from previous internal audits
- Reviewed reports on Risk and Internal Controls including
  - principal and emerging risks, including climate change risk,
  - whistleblowing;
  - internal control framework, and
  - legal and regulatory compliance
- Received an update on the proposed Corporate Governance reform agenda including the emerging requirements for an Audit and Assurance Policy
- Considered the TCFD report contents
- Received a report on emerging climate related reporting requirements and considered the level of assurance appropriate for climate related disclosures

Internal Audit has a direct reporting line to the Chair of the Audit Committee. We assess the effectiveness of Internal Audit by reviewing its reports, feedback from the Chief Financial Officer, and through meetings with the Internal Auditor without management being present.

The Internal Audit programme for 2023 included reviews of:

- Insurance
- Human Resources and wellbeing
- Treasury
- Cyber security
- Data protection
- Payroll
- Refurbishments

The Internal Audit plan for 2024 has a particular focus on:

- Customer experience
- Block management
- Fraud
- Cyber security
- Procurement and contract management
- Health and safety
- Lease extensions
- Business continuity
- The rolling programme of site audits

Looking ahead

The Committee looks forward to providing continuing support to the Board and Company in the coming year, and will be focusing on further strengthening the Company's reporting, risk management and assurance activities.

REMUNERATION
DIRECTORS' REMUNERATION REPORT

Image removed

> ***"Our focus this year has been on implementing our Shareholder-approved Policy to ensure pay outcomes are appropriately aligned with the delivery of our strategy and Company performance."***

Janette Bell
Chair of the Remuneration Committee

Contents

Dear Shareholders,

I am pleased to present on behalf of the Board the Directors' Remuneration report for the year ended 30 September 2023. As in previous years, the report has been divided into the following three sections:

- This Annual Statement, which summarises the remuneration outcomes for the year ended 30 September 2023, the key decisions taken by the Remuneration Committee during the year and how the Directors' Remuneration Policy will be operated in the following financial year;
- The Directors' Remuneration Policy ('Policy'), which sets out the remuneration policy for Executive and Non-Executive Directors which was approved by Shareholders at the 2023 AGM, and
- The Annual Report on Remuneration, which discloses how the new Policy was implemented in the year to 30 September 2023 and how the Policy will be operated in the year to 30 September 2024.

We were delighted to receive strong support from Shareholders for our Policy with over 95% of shares cast in favour. I set out below a summary of business performance during the year, incentive outcomes for 2023 and our approach for 2024

1. Annual Statement

2023 business context

2023 was another successful year for Grainger. Our strong performance in delivering rental growth continued, and whilst keeping a very close eye on overall customer affordability levels, we delivered 8.0% growth in like-for-like PRS rental income.

The management team delivered exceptional operational performance across all areas of the business and particularly in the completion and lease up of our new schemes. Sales remained robust, valuations continued to demonstrate resilience, and our balance sheet remained strong throughout the year

We are due to complete 1,201 new build-to-rent homes in FY23, with a further 439 in the remainder of the calendar year, across seven new schemes which will drive a further step change in EPRA earnings and bring our total operational portfolio to over 10,000 homes These new homes are being delivered in one of the strongest occupational markets we have seen Current leasing at our newly-opened schemes is exceeding underwriting and we continue to drive a step up in rental income across our national portfolio. However, we remain mindful of protecting our customers' rental affordability and, therefore, continue to ensure that rental growth across our portfolio moves broadly in line with national wage inflation. Occupancy was at a record high of 98 6% (PRS) in 2023. Our measure of customer satisfaction (NPS) has increased by 26% to +43 and staff engagement has also improved. This is a significant in-year improvement achieved by the delivery of a wide reaching customer experience programme and it provides a strong underpin to customer's perception of the value for money of renting with Grainger.

Our strong operational performance is coupled with a robust balance sheet, positioning us well in the current market. We have fixed the cost of our debt in the mid 3% range for the next five years Our asset recycling programme continues at an elevated level in line with our previously reported plans.

REMUNERATION
DIRECTORS' REMUNERATION REPORT (CONTINUED)

We have made strong progress in the measurement of our scopes 1-3 carbon footprint and in progressing our net-zero carbon pathway, as well as our charitable framework and ESG and D&I focus including progressing towards the National Equality Standard.

2023 incentive outcomes

The 2023 annual bonus comprised a combination of PRS net rental income (35%), adjusted earnings (35%), and strategic targets (30%). These measures, consistent with those used in prior years, ensured there remained a continued focus on improving profit and rental income growth whilst focusing on key non-financial deliverables (including ESG) which underpin our strategy.

Stretching targets were set in the context of a period of heightened uncertainty following the Government's mini budget in September 2022. The leadership team put in place an outperformance plan which delivered a 4% increase in adjusted earnings (£97.6m) and 16% growth in PRS net rental income (£82.2m). Both outcomes were above the maximum targets set by the Committee.

This outperformance plan was achieved through the in-house teams' focus on speed of lease up, efficiency of void management, cost savings and increased sales volume into a more challenging market. The resulting outperformance was despite the headwinds of scheme delays by third party developers and rising cost inflation and interest rates impacting on sales and is considered to be an outstanding performance.

The Committee considered whether the financial bonus outcome was a fair representation of Company and management performance during the year and concluded that no adjustment was required. In doing so, the Committee was mindful of the level of customers' affordability noting that rental growth across the portfolio moved broadly in line with national wage inflation and occupancy was at a record high of 98.6%. In addition, Customer satisfaction as measured by NPS improved by 26%.

When combined with performance against the strategic targets, annual bonus was calculated at 98% of the maximum available.

The LTIP award granted to Helen Gordon in December 2020 will vest on 10 December 2023 based on three year performance, with 50% measured against relative Total Shareholder Return ('TSR') over the three years from grant and 25% each measured against absolute Total Property Return ('TPR') and Secured PRS Investment targets over the three years ended 30 September 2023. As disclosed previously, Rob Hudson received a Recruitment Award upon joining Grainger, a tranche of which is based on the performance criteria attached to the December 2020 LTIP award and which will vest on 1 February 2024.

As the TSR measure is based on performance to December 2023, this has been estimated to vest at nil based on performance to 19 October 2023. The TPR threshold target has been achieved resulting in 27% vesting and the Secured PRS Investment targets were met in full. The overall expected vesting is c.31.7% albeit this is subject to change depending on the final TSR vesting outcome.

The Committee believes these bonus and expected LTIP outcomes are appropriate and reflect the very strong performance of the business over the relevant performance periods. Therefore, no discretion has been applied to the formulaic outcomes.

Applying the Policy in 2023/24

Details of the Committee's proposed implementation of the Policy in respect of the year ending 30 September 2024 are set out below.

Executive Director base salary levels

As set out in last year's report, when the Committee carried out a review of the Directors' Remuneration Policy last year, it became clear to the Committee that Helen Gordon's base salary had not kept pace with Grainger's increased size and complexity or its strong operational and financial performance. We therefore consulted major Shareholders on a two-step increase to Helen's base salary with a 9% increase applying from January 2023 (to £557,500) and a 6% increase from 1 January 2024 (to £591,000). The second increase was subject to continuing strong individual and Company performance. On the basis that Helen has continued to demonstrate strong leadership and Grainger has again delivered significant value through high like-for-like rental growth and 98.6% occupancy which remains at record highs, the Committee has concluded that the second increase of 6% will apply from January 2024. In recognition of the ongoing cost of living issues being experienced by colleagues, particularly those on lower pay, the average workforce increase will be between 5% and 6%, with 6% focused on our lowest paid employees. These increases will be effective from 1 January 2024.

Rob Hudson's salary will increase by 5% from 1 January 2024. This increase reflects his continued strong performance in the role.

Annual bonus

Rob Hudson's current bonus opportunity is 120% of salary and the approved Policy permits him a bonus maximum of 140% of salary, in line with the CEO's opportunity. The Committee is proposing to increase Rob's bonus to 140% in 2023, having considered the following:

- Rob continues to perform strongly in the CFO role. In January 2023 he took on the additional responsibility for the procurement and sustainability teams. Since then, under his leadership, significant cost savings have been delivered in procurement and good progress has been made in delivering a robust baseline position for ESG reporting obligations. There is potential for ongoing improvement in both areas. Rather than increasing base salary to reflect the additional responsibilities and performance, the Committee's preference is to recognise this by increasing his bonus potential; and
- Although benchmark data is used by the Committee with a high degree of caution, the Committee considers Rob's fixed pay to be market aligned. However, the Committee believes that Rob's overall variable pay (being a 120% of salary annual bonus potential and 175% of salary LTIP grant) is well behind market norms given that a 150% of salary maximum bonus appears to be almost universal for Executive Directors across the sector and the median CFO LTIP grant is 200% of salary. The Committee believes it is appropriate to address one of these and is proposing to increase Rob's annual bonus opportunity to 140% of salary in line with that of the CEO's bonus potential. As the Committee considers Rob to be a seasoned board director and with over 29 years' experience in finance, the change to his bonus will help to ensure his package is positioned more appropriately against the market to reflect his plc and sector experience.

The Committee is consulting its largest shareholders on the proposed change to Rob's bonus opportunity and it will increase to 140% of salary in 2024 only if there is sufficient support from shareholders. Helen Gordon's bonus opportunity will remain at 140% of salary. For both directors, 75% of any bonus earned will be payable in cash and 25% deferred into shares.

70% of the bonus will continue to be based on adjusted earnings and PRS net rental income targets weighted equally. The remaining 30% will be split with 10% based solely on ESG-related targets and 20% will be based on a smaller number of key strategic and operational measures based on business resilience, customer satisfaction and funding and investment. The targets, and the performance against them, will be disclosed in next year's Directors' Remuneration report.

Long Term Incentive Plan

It is expected that LTIP awards will continue to be granted over shares equal in value of up to 200% of salary for the CEO and 175% of salary for the CFO.

Over the last year, the Committee has considered how best to incorporate sustainability objectives into the 2024 LTIP grant. It is proposed that the existing measures of PRS Secured Investment, relative Total Shareholder Return ('TSR') and total property income return are retained for 2024 (each reduced from a 33.3% weighting to 30% weighting) with the remaining 10% based on reducing Carbon as follows:

- Secured PRS Investment (30%) – Given Grainger's ambitious growth agenda, this metric will continue to be based on aggregate three-year Secured PRS Investment opportunities with 25% vesting for achieving threshold increasing on a straight-line basis until a maximum stretch target is achieved.
- Relative TSR (30%) - The TSR comparator group will continue to be based on a bespoke group of real estate peers with 25% vesting for median and 100% of this part vesting for upper quartile performance or better.
- Total Property Income Return (30%) - Given the continued uncertainty affecting capital values in the short term and the difficulty in setting a robust three-year TPR target range, the Committee wishes to retain the Total Property Income Return ('TPIR') measure for a further year. The Committee intends to revert to absolute TPR (i.e. capital return plus income return) when market conditions stabilise and visibility improves.
- Carbon Emissions (10%) – to include two equally weighted measures:
  - a reduction in the embodied carbon intensity of Grainger's direct development projects in design by 2026
  - a reduction in the operational carbon intensity of Grainger's PRS portfolio

We look forward to your support on the resolution relating to remuneration at the AGM on 7 February 2024.

Janette Bell
Chair of the Remuneration Committee

21 November 2023

How the Committee spent its time

Chart removed

- Governance and reporting
- Investor communication
- Executive share plans
- Performance monitoring and review
- Senior management remuneration and retention
- Directors' Remuneration Policy review
- Implementation of the Remuneration Policy
- Wider employee remuneration and cost of living

Committee considerations

Consistent with the six factors set out in Provision 40 of the 2018 UK Corporate Governance Code, when determining Executive Director Remuneration Policy and practices, the Committee has continued to address the following:

Clarity – the current Policy is well understood by our Directors and has been clearly articulated to Shareholders and proxy voting agencies.

Simplicity – the current market standard remuneration structure is simple and well understood. We have purposefully avoided any complex structures which have the potential to deliver unintended outcomes.

Risk – our current Policy and approach to target setting seek to discourage inappropriate risk-taking. Measures are a blend of Shareholder return; financial and non-financial objectives and the targets are appropriately stretching. Malus and clawback provisions apply.

Predictability – executives' incentive arrangements are subject to individual participation caps. An indication of the range of values in packages is provided in the reward scenario charts on page 99.

Proportionality – there is a clear link between individual awards, delivery of strategy and our long-term performance.

Alignment to culture – pay and policies cascade down the organisation and are fully aligned to Grainger's culture.

REMUNERATION
DIRECTORS' REMUNERATION REPORT (CONTINUED)

2. Directors' Remuneration Policy

This part of the Directors' Remuneration report sets out the Directors' Remuneration Policy (the 'Policy') which was approved by Shareholders at the 2023 Annual General Meeting and took effect from the date of that meeting. Following approval by Shareholders, all payments to Directors during the three-year life of the Policy period will be consistent with the approved Policy.

The following table summarises the main elements of the Executive Directors' Remuneration Policy, the key features of each element, their purpose and linkage to our strategy. Details of the remuneration arrangements for the Non-Executive Directors are set out on page 101.

Base salary

Purpose and link to strategy	To enable the recruitment and retention of individuals of the necessary calibre to execute the Company's business strategy.
Operation	Reviewed annually and typically effective from 1 January. Changes to salary levels will take into account the: – role, experience, responsibilities and personal performance; – average change in total workforce salary; – total organisational salary budgets; and – Company performance and other economic or market conditions. Salaries are benchmarked periodically and are set by reference to companies of a similar size and complexity.
Opportunity	Salaries will be eligible for increases during the three-year period that the Remuneration Policy operates. During this time, salaries may be increased each year (in percentage of salary terms) and will take into account increases granted to the wider workforce. Increases beyond those granted to the wider workforce (in percentage of salary terms) may be awarded in certain circumstances such as where there is a change in responsibility, experience or a significant increase in the scale of the role and/or size, value and/or complexity of the Company. Where new joiners or recent promotions have been placed on a below market rate of pay initially, a series of increases above those granted to the wider workforce (in percentage of salary terms) may be given over the following few years, subject to individual performance and development in the role.
Framework to assess performance	The Committee considers individual salaries at the appropriate Committee meeting each year after having due regard to the factors noted in operating the salary policy.

Benefits

Purpose and link to strategy	To aid recruitment and retention of high-quality executives.
Operation	Executive Directors may receive a benefit package which includes a car allowance, private medical insurance, life assurance, ill health income protection, travel insurance and health check-up. Other ancillary benefits (including relocation expenses) may be offered, as required.
Opportunity	There is no maximum as the value of benefits may vary from year to year depending on the cost to the Company from third-party providers.
Framework to assess performance	N/A

Pension

Purpose and link to strategy	To aid recruitment and retention of high-quality executives and enable long-term savings through pension provision.
Operation	The Company may contribute directly into an occupational pension scheme (an Executive Director's personal pension) or pay a salary supplement in lieu of pension. If appropriate, a salary sacrifice arrangement can apply.
Opportunity	10% of salary (workforce aligned).
Framework to assess performance	N/A

Annual bonus

Purpose and link to strategy	To reward and incentivise the achievement of annual targets linked to the delivery of the Company's strategic priorities for the year.
Operation	Bonus measures and targets are reviewed annually and any payout is determined by the Committee after the end of the financial year, based on performance against targets set for the financial period. Up to 75% of any bonus that becomes payable is normally paid in cash with the remainder deferred into shares for three years. Deferred bonus share awards typically vest subject to continued employment. Individuals may be able to receive a dividend equivalent payment on deferred bonus shares at the time of vesting equal to the value of dividends which would have accrued during the vesting period. The dividend equivalent payment may assume the reinvestment of dividends on a cumulative basis.
Opportunity	140% of salary
Framework to assess performance	Bonus performance measures are set annually and will be predominantly based on challenging financial targets set in line with the Group's strategic priorities and tailored to each individual role as appropriate, for example, targets relating to adjusted earnings. For a portion of the bonus, strategic and operational and/or ESG objectives may operate. The Committee has the discretion to vary the performance measures used from year to year depending on the economic conditions and strategic priorities at the start of each year. Details of the performance measures used for the current year and targets set for the year under review and performance against them will be provided in the Annual Report on Remuneration. For financial targets, and where practicable in respect of strategic and operational targets, bonus starts to accrue once the threshold target is met (0% payable) rising on a graduated scale to 100% for stretch performance. The Committee may adjust bonus outcomes, based on the application of the bonus formula set at the start of the relevant year, if it considers the quantum to be inconsistent with the performance of the Company, business or individual during the year. For the avoidance of doubt this can be to zero and bonuses may not exceed the maximum levels detailed above. Any use of such discretion would be detailed in the Annual Report on Remuneration. In the event that there was (i) a misstatement of the Company's results, (ii) a miscalculation or an assessment of any performance conditions that was based on incorrect information, (iii) misconduct on behalf of an individual, (iv) the occurrence of an insolvency or administration event, (v) reputational damage, or (vi) serious health and safety events; malus and/or clawback provisions may apply (to the extent to which the Committee considers that the relevant individual was involved (directly or through oversight) in such events) for three years from the date of payment of any bonus or the grant of any deferred bonus share award (which may be extended by the Remuneration Committee for a further two years to allow an investigation to take place).

Long Term Incentive Plan ('LTIP')

Purpose and link to strategy	To incentivise and reward the delivery of strategic priorities and sustained performance over the longer term. To provide greater alignment with Shareholders' interests.
Operation	The LTIP provides for awards of free shares (i.e. either conditional shares or nil-cost options) normally on an annual basis which are eligible to vest after three years subject to continued service and the achievement of challenging performance conditions. Vested awards are subject to a two-year post-vesting holding period. In exceptional circumstances such as due to regulatory or legal reasons, vested awards may also be settled in cash. Dividend equivalent payments may be made on vested LTIP awards and may assume the reinvestment of dividends, on a cumulative basis.
Opportunity	200% of salary for the Chief Executive, and 175% of basic salary for other Executive Directors.
Framework to assess performance	The Committee may set such performance conditions on LTIP awards as it considers appropriate (whether financial or non-financial (including ESG)). The choice of measures and their weightings will be determined prior to each grant. 25% of awards will vest for threshold performance with full vesting taking place for equalling, or exceeding, the maximum performance targets. No awards vest for performance below threshold. A graduated vesting scale operates between threshold and maximum performance levels. The Committee may adjust LTIP vesting outcomes, based on the result of testing the performance condition, if it considers the quantum to be inconsistent with the performance of the Company, business or individual during the three-year performance period. For the avoidance of doubt, this can be to zero. Any use of such discretion would be detailed in the Annual Report on Remuneration. In the event that there was (i) a misstatement of the Company's results; (ii) a miscalculation or an assessment of any performance conditions based on incorrect information; (iii) misconduct on behalf of an individual, (iv) the occurrence of an insolvency or administration event, (v) reputational damage, or (vi) serious health and safety events, malus and/or clawback provisions may apply (to the extent to which the Committee considers that the relevant individual was involved (directly or through oversight) in such events) for three years from an award becoming eligible to vest (which may be extended by the Remuneration Committee for a further two years to allow an investigation to take place).

REMUNERATION
DIRECTORS' REMUNERATION REPORT (CONTINUED)

Savings related share schemes

Purpose and link to strategy	To encourage employees to make a long-term investment in the Company's shares
Operation	All employees, including the Executive Directors, are eligible to participate on the same terms in the Company's Save As You Earn ('SAYE') scheme and Share Incentive Plan ('SIP'), both of which are approved by HMRC and subject to the limits prescribed.
Opportunity	SAYE: Participants may invest up to £500 per month (or such other amount as may be permitted by HMRC from time to time) for three or five-year periods in order to purchase shares at the end of the contractual period at a discount of up to 20% to the market price of the shares at the commencement of the saving period SIP: Participants can invest up to £150 per month (or such other amount as may be permitted by HMRC from time to time) in shares in the Company, and the Company may then, subject to certain limits, double that investment The Company may also allocate free shares annually on a percentage of basic pay, subject to a maximum of £3,600 (or such other amount as may be permitted by HMRC from time to time) *Dividend payments on SIP shares are reinvested and must be held in trust for three years*
Framework to assess performance	N/A

Shareholding guidelines

Under the shareholding guidelines, Executive Directors are expected to build up over time a shareholding equivalent to 200% of their base salary. Executive Directors are required to retain all the after-tax number of vested LTIP and deferred bonus awards to satisfy the guidelines. In addition, the Committee's general expectation is that the guidelines will be met within five years of its introduction, although the Committee reserves the right to take into account vesting levels and personal circumstances when assessing progress against the guidelines.

A post cessation shareholding guideline operates. Executive Directors are expected to retain the lower of actual shares held and shares equal to 200% of salary for two years post cessation in respect of shares which vest from grants of deferred bonus and LTIP awards made since the approval of the 2020 Policy at the 2020 AGM. Buyout awards and own shares purchased are excluded from this.

Notes to the Policy for Executive Directors

Choice of performance measures and approach to target setting

The annual bonus measures are selected to provide direct alignment with the short-term operational targets of the Company. Care is taken to ensure that the short-term performance measures are always supportive of the long-term objectives. This is especially important in a business which has a long-term investment horizon. The LTIP performance measures are selected to ensure that the Executives are encouraged in, and appropriately rewarded for, delivering against the Company's key long-term strategic goals so as to ensure a clear and transparent alignment of interests between Executives and Shareholders and the generation of long-term sustainable returns. The performance metrics that are used for annual bonus and long-term incentive plans are normally a sub-set of the Group's KPIs.

Discretion

The Committee operates the annual bonus plan, LTIP and all-employee plans according to their respective rules and in accordance with the relevant Listing Rules and HMRC rules consistent with market practice. The Committee retains discretion, within the confines and opportunity detailed above, in a number of respects with the operation and administration of these plans. These include:

- the individual(s) participating in the plans;
- the timing of grant of award and/or payment;
- the size of an award and/or payment;
- the determination of vesting;
- dealing with a change of control (e.g. the timing of testing performance targets) or restructuring;
- determination of a 'good/bad leaver' for incentive plan purposes based on the rules of each plan and the appropriate treatment chosen;
- adjustments required in certain circumstances (e.g. rights issues, corporate restructuring and special dividends);
- the annual review of performance conditions for the annual bonus plan and LTIP; and
- the ability to adjust incentive outcomes, based on the result of testing the performance condition, if it considers the quantum to be inconsistent with the performance of the Company, business or individual.

The Committee also retains the ability to adjust the targets, and/or set different measures and alter weightings for the annual bonus plan and to adjust targets for the LTIP if events occur (e.g. material divestment of a Group business) which cause it to determine that the conditions are no longer appropriate and the amendment is required so that the conditions achieve their original purpose and are not materially less difficult to satisfy.

Peer Group

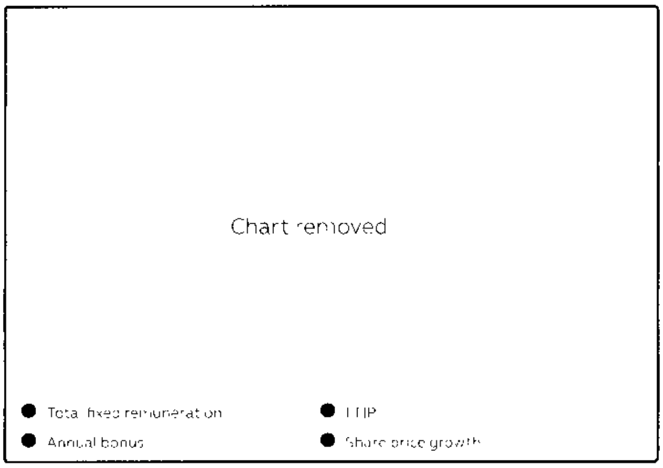
In assessing Grainger's pay practices, including structure, quantum and performance metrics and remuneration policies, the Committee's primary reference point are the following FTSE 350 Real Estate companies Assura plc, British Land Company plc, Big Yellow Group PLC, Capital & Regional plc, CLS Holdings plc, Derwent London plc, Great Portland Estates plc, Hammerson plc, Land Securities Group PLC, LondonMetric Property Plc, Safestore Holdings plc, SEGRO plc, Shaftesbury PLC, Sirius Real Estate Limited , The Unite Group plc and Workspace Group PLC.

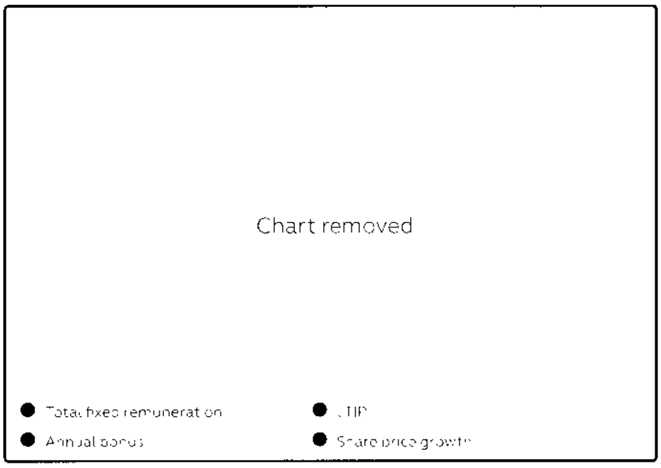
Reward scenarios for Executive Directors

The Company's Remuneration Policy results in a significant proportion of remuneration received by Executive Directors being dependent on Company performance. The composition and total value of the Executive Directors' remuneration package for the financial year 2023/24 at minimum, on-target, maximum performance and maximum with share price growth scenarios are set out in the charts below.

Assumptions used in determining the level of payout under given scenarios are as follows:

- Minimum = base salary at 1 January 2024, estimated 2023/24 benefits and pension contribution of 10% of salary (fixed pay).
- On-target = 60% payable of the 2024 annual bonus and 62.5% vesting of the 2024 LTIP awards
- Maximum = 100% payable of the 2024 annual bonus (based on a maximum of 140% of salary for the CEO and CFO) and 100% vesting of the 2024 LTIP awards (based on a face value of 200% of salary for the CEO and 175% of salary for the CFO) The 140% of salary bonus opportunity for the CFO assumes there is sufficient support from shareholders as part of the consultation exercise being undertaken by the Committee at the time of signing off this report.
- Maximum with share price growth = as per maximum but with a 50% share price growth assumed on LTIP awards.





How the Executive Directors' Remuneration Policy relates to the wider Group

The Remuneration Policy provides an overview of the structure that operates for the Company's Executive Directors and senior executive population. However, it is highlighted that there are differences in quantum within this determined by the size and scope of individual positions.

The Committee is made aware of pay structures across the Group when setting the Remuneration Policy for Executive Directors. The key difference is that, overall, the Remuneration Policy for Executive Directors is more heavily weighted towards variable pay than for other employees.

Base salaries are operated under the same Policy as detailed in the Remuneration Policy table with any comparator groups used as a reference point. The Committee considers the general basic salary increase for the broader Company (if any) when determining the annual salary review for the Executive Directors.

The LTIP is operated at the most senior tiers of Executives, as this arrangement is reserved for those anticipated as having the greatest potential to influence Company-level performance.

However, the Committee believes in wider employee share ownership and promotes this through the operation of the HMRC tax approved all-employee share schemes which are open to all UK employees.

How the views of employees are taken into account

The Committee takes due account of remuneration structures elsewhere in the Group when setting pay for the Executive Directors. For example, consideration is given to the overall salary increase budget and the incentive structures that operate across the Company.

The Chief Executive Officer holds 'all-employee' conference calls to give our people an overview of Company strategy and provide our people with the opportunity to ask any questions. In addition, the CEO and Board members regularly visit offices and meet with our people to gauge overall opinions.

REMUNERATION
DIRECTORS' REMUNERATION REPORT (CONTINUED)

The CEO has regular meetings with our people including breakfast meetings with new employees. Annual employee engagement surveys and half year interim annual pulse surveys are carried out, the results of which are presented to the Board by the Chief People Officer. The issue of pay ratios, including executive pay, was discussed at our staff roundtable sessions.

In addition, as noted on page 87 Janette Bell was the designated Non-Executive Director for employee engagement and consultation until the 2022 AGM when Carol Hui took over that role, as part of the Responsible Business Committee remit. Carol Hui was appointed to the Board on 1 October 2021. As well as joining the Remuneration, Audit and Nominations Committees, Carol oversaw the establishment of the Company's Responsible Business Committee and became Chair of it. This Committee provides Board-level oversight of the delivery of the Company's ESG strategy and its diversity and inclusion plans.

How the views of Shareholders are taken into account

The Remuneration Committee considers Shareholder feedback received in relation to the AGM each year and guidance from Shareholder representative bodies more generally. This feedback, plus any additional feedback received during any meetings held with Shareholders from time to time, is then considered as part of the Committee's on-going review of Remuneration Policy (as has been the case in relation to the most recent Policy changes).

Major Shareholders and the main representative bodies were consulted on the proposed changes to the Remuneration Policy in advance of the 2023 AGM and its future implementation and it was clear that there were strong levels of support for the proposals. No changes were required to the original proposals and this was reflected in the voting outcome.

Approach to recruitment remuneration

When setting the remuneration package for a new Executive Director, the Committee will apply the same principles and implement the Policy as set out in the Remuneration Policy table.

Base salary will be set at a level appropriate to the role and the experience of the Executive Director being appointed. In certain cases, this may include setting a salary below the market rate but with an agreement on future increases up to the market rate, in line with increased experience and/or responsibilities, subject to good performance, where it is considered appropriate. Pension provision, in percentage of salary terms, will be aligned to the general workforce level.

The maximum level of variable remuneration which may be granted (excluding buyout awards as referred to below) is an annual bonus of 140% of salary and LTIP award of 200% of salary (as per the limits in the Policy table).

In relation to external appointments, the Committee may offer compensation that it considers appropriate to take account of awards and benefits that will or may be forfeited on resignation from a previous position. Such compensation would reflect the performance requirements, timing and such other specific matters as the Committee considers relevant. This may take the form of cash and/or share awards. The Policy is that the maximum payment under any such arrangements (which may be in addition to the normal variable remuneration) should be no more than the Committee considers is required to provide reasonable compensation to the incoming Executive Director. If the Executive Director will be required to relocate in order to take up the position, it is the Company's policy to allow reasonable relocation, travel and subsistence payments. Any such payments will be at the discretion of the Committee.

In the case of an employee who is promoted to the position of Executive Director, the Policy set out above would apply from the date of promotion but there would be no retrospective application of the Policy in relation to existing incentive awards or remuneration arrangements. Accordingly, prevailing elements of the remuneration package for an existing employee would be honoured and form part of the on-going remuneration of the employee. These would be disclosed to Shareholders in the following year's Annual Report on Remuneration.

Non-Executive Director appointments will be through letters of appointment. Non-Executive Directors' base fees, including those of the Chair, will be set at a competitive market level, reflecting experience, responsibility and time commitment. Additional fees are payable for the chairmanship of the Audit, Remuneration and Responsible Business Committees and for the additional responsibilities of the Senior Independent Director and the Non-Executive Director for Employee Engagement.

Directors' service contracts and provision on payment for loss of office

Executive Directors' service contracts are terminable by the Company on up to one year's notice and by the Director on at least six months' notice.

If an Executive Director's employment is to be terminated, the Committee's policy in respect of the contract of employment, in the absence of a breach of the service agreement by the Executive Director, is to agree a termination payment based on the value of base salary and contractual pension amounts and benefits that would have accrued to the Executive Director during the contractual notice period. The policy is that, as is considered appropriate at the time, the departing Executive Director may work, or be placed on garden leave, for all or part of their notice period, or receive a payment in lieu of notice in accordance with the service agreement. The Committee will also seek to apply the principle of mitigation where possible so as to reduce any termination payment to a leaving Executive Director, having had regard to the circumstances.

In addition, the Committee may also make payments in relation to any statutory entitlements, to settle any claim against the Company (e.g. in relation to breach of statutory employment rights or wrongful dismissal) or make a modest provision in respect of legal costs or outplacement fees.

The Company has an enhanced redundancy policy allowing redundancy amounts to be calculated by reference to actual basic weekly salary and the policy may be extended to Executive Directors where relevant.

With regard to annual bonus for a departing Executive Director, if employment ends by reason of redundancy, retirement with the agreement of the Company, ill health or disability or death, or any other reason as determined by the Committee (i.e. the individual is a 'good leaver'), the Executive Director may be considered for a bonus payment. If the termination is for any other reason, any entitlement to bonus would normally lapse. Under any circumstance, it is the Committee's policy to ensure that any bonus payment reflects the departing Executive Director's performance and behaviour towards the Company.

Any bonus payment will normally be delayed until the performance conditions have been determined for the relevant period and be subject to a pro rata reduction for the portion of the relevant bonus year that the individual was employed.

The treatment for share-based incentives granted to an Executive Director will be determined based on the relevant plan rules. The default treatment will be for outstanding awards to lapse on cessation of employment. In relation to awards granted under the Company's long-term incentive plans, in certain prescribed circumstances, such as death, injury or disability, redundancy, transfer or sale of the employing company, retirement with the Company's agreement or other circumstances at the discretion of the Committee (reflecting the circumstances that prevail at the time), 'good leaver' status may be applied.

If treated as a good leaver, awards will be eligible to vest subject to performance conditions, which will be measured over the original performance period (unless the Committee elected to test performance to the date of cessation of employment), and be subject to a pro rata reduction (unless the Committee considered it inappropriate to do so) to reflect the proportion of the vesting period actually served. Where awards vest within two years of cessation, the post vesting holding period will continue to apply until the second anniversary of cessation. There will be no holding period for awards vesting more than two years after cessation.

Any LTIP awards which vest pre-cessation but which are still subject to the two-year holding period will need to be retained by the individual (either on a post-tax basis or as unexercised awards) post cessation, until the relevant two-year holding period has expired.

With regard to the deferral of annual bonus, deferred share bonus awards will normally lapse on cessation of employment other than where an Executive Director is a 'good leaver' (as detailed above) with awards then vesting on the normal vesting date.

It is the Company's policy to honour pre-existing award commitments in accordance with their terms.

Where the Executive Director participates in one or more of the Company's HMRC approved share plans, awards may vest or be exercisable on or following termination of employment in certain good leaver circumstances, where permissible, in accordance with the rules of the plan and relevant legislation.

External appointments

Executive Directors are permitted to accept external non-executive appointments with the prior approval of the Board. It is normal practice for Executive Directors to retain fees provided for non-executive appointments.

Non-Executive Directors' letters of appointment

The Chair and Non-Executive Directors have letters of appointment for an initial fixed term of three years subject to earlier termination by either party on written notice. In each case, this term can be extended by mutual agreement. Non-Executive Directors have no entitlement to contractual termination payments. The dates of the initial appointments of the Non-Executive Directors are set out in the Annual Report on Remuneration.

Non-Executive Directors' fees

The policy on Non-Executive Directors' fees is set out below:

Non-Executive Directors

Purpose and link to strategy	To provide a competitive fee which will attract those high-calibre individuals who, through their experience, can further the interests of the Group through their stewardship and contribution to strategic development.
Operation	The fees for Non-Executive Directors (including the Chair) are typically reviewed every second year or more frequently if required. Fee levels are set by reference to the expected time commitment and responsibility and are periodically benchmarked against relevant market comparators as appropriate, reflecting the size and nature of the role. The Chair and Non-Executive Directors are paid an annual fee which is paid at least monthly in cash and do not participate in any of the Company's incentive arrangements or receive any pension provision. The Non-Executive Directors receive a basic Board fee, with additional fees payable for chairmanship of the Company's key Committees and for performing the Senior Independent Director role. All Non-Executive Directors are reimbursed for travel and related business expenses reasonably incurred in performing their duties. The Committee recommends the remuneration of the Chairman to the Board. The Chair's fee is determined by the Committee (during which the Chair has no part in discussions) and recommended by it to the Board. The Non-Executive Directors' fees are determined by the Chair and the Executive Directors.
Opportunity	Fee levels will be eligible for increases during the period that the Remuneration Policy operates to ensure that they continue to appropriately recognise the time commitment of the role, increases to fee levels for Non-Executive Directors in general and fee levels in companies of a similar size and complexity.
Framework to assess performance	N/A

REMUNERATION
ANNUAL REPORT ON REMUNERATION

Annual Report on Remuneration

This Annual Report on Remuneration sets out details of how the Company's Remuneration Policy for Directors was implemented during the financial year ended 30 September 2023. This report has been prepared in accordance with the provisions of the Companies Act 2006 and related Regulations. A single advisory resolution to approve this report (and the Annual Statement) will be put to Shareholders at the AGM on 7 February 2024.

3. Single total figure of remuneration for each Director

The remuneration of Directors showing the breakdown between components with comparative figures for 2022 shown below.

This table and the details set out in Notes 3 to 9 on pages 102 to 107 of this report have been audited by KPMG LLP.

2023	Salary and fees[1] £'000	Taxable benefits[2] £'000	Share incentive plan £'000	Annual bonus[3] £'000	LTIP awards[4] £'000	Pension benefits[6] £'000	Total £'000	Total Fixed Remuneration[7] £'000	Total Variable Remuneration[8] £'000
Executive Directors									
Helen Gordon	**546**	**16**	**2**	**749**	**264**	**61**	**1,638**	**625**	**1,013**
Rob Hudson	**434**	**16**	**2**	**510**	**205**	**43**	**1,210**	**495**	**715**
	980	**32**	**4**	**1,259**	**469**	**104**	**2,848**	**1,120**	**1,728**
Non-Executive Directors[5]									
Mark Clare	**183**	–	–	–	–	–	**183**	**183**	–
Justin Read	**72**	–	–	–	–	–	**72**	**72**	–
Janette Bell	**63**	–	–	–	–	–	**63**	**63**	–
Rob Wilkinson	**18**	–	–	–	–	–	**18**	**18**	–
Carol Hui	**63**	–	–	–	–	–	**63**	**63**	–
Michael Brodtman	**40**	–	–	–	–	–	**40**	**40**	–
	439	–	–	–	–	–	**439**	**439**	–
Totals	**1,419**	**32**	**4**	**1,259**	**469**	**104**	**3,287**	**1,559**	**1,728**

1. The CEO's salary increased by 9% and the CFO's salary by 5% from 1 January 2023. At 1 January 2023 Helen Gordon's base salary was £55[illegible] and Rob Hudson's base salary was £439,[illegible].
2. Taxable benefits comprised of a car allowance and private medical insurance.
3. In line with the Policy 25% of the bonus is deferred into shares for three years.
4. See Note 5 on page 104 for information in respect of the LTIP and Recruitment awards that are due to vest in December 2023 and February 2024.
5. The fees for Non-Executive Directors reflect payments in relation to any chair/membership roles, as applicable during the year under review or the preceding year, and in some cases pro rata adjustments are made to reflect the changes in respect of such roles being taken part way through the relevant year. See Note 14 on page [illegible] in relation to the fees as at 1 January 2023 and 1 January 2024.
6. The amounts shown under pension benefits represent a salary supplement paid to the Directors in lieu of Company pension contributions.
7. Comprises the aggregate of total salary and fees, taxable benefits, share incentive plan awards and pension benefits.
8. Comprises the aggregate of annual bonus and LTIP awards.

2022	Salary and fees[1] £'000	Taxable benefits[2] £'000	Share incentive plan £'000	Annual bonus[3] £'000	LTIP awards[4] £'000	Pension Benefits[6] £'000	Total £'000	Total Fixed Remuneration[7] £'000	Total Variable Remuneration[8] £'000
Executive Directors									
Helen Gordon	509	16	2	702	717	76	2,022	603	1,419
Rob Hudson	416	17	–	492	367	42	1,334	475	859
	925	33	2	1,194	1,084	118	3,356	1,078	2,278
Non-Executive Directors[5]									
Mark Clare	174	–	–	–	–	–	174	174	–
Andrew Carr-Locke	24	–	–	–	–	–	24	24	–
Justin Read	65	–	–	–	–	–	65	65	–
Janette Bell	58	–	–	–	–	–	58	58	–
Rob Wilkinson	50	–	–	–	–	–	50	50	–
Carol Hui	56	–	–	–	–	–	56	56	–
	427	–	–	–	–	–	427	427	–
Totals	1,352	33	2	1,194	1,084	118	3,783	1,505	2,278

1. The CEO's and CFO's salaries increased by 2% in line with the wider employee population from 1 January 2022. At 1 January 2022 Helen Gordon's base salary was £511,376 and Rob Hudson's base salary was £418,200.
2. Taxable benefits comprised of a car allowance and private medical insurance.
3. In line with the Remuneration Policy 25% of the bonus was deferred into shares for three years.
4. The vesting value of the LTIP awards in last year's report were estimated as the LTIP performance period had not ended and the share price on the vesting date was not known. These values have been updated to reflect actual vesting and the share price on the date of vesting of being 25[illegible]p for the CEO's LTIP awards and [illegible] for the CFO's recruitment award. Further details are provided in Note 5.
5. The fees for Non-Executive Directors reflect payments in relation to any chair/membership roles, as applicable during the year under review or the preceding year, and in some cases pro rata adjustments are made to reflect the changes in respect of such roles being taken part way through the relevant year. Carol Hui joined the Board as a Non-Executive Director from 1 October 2021. Andrew Carr-Locke stepped down from the Board at the 2022 AGM.
6. The amounts shown under pension benefits represent a salary supplement paid to the Directors in lieu of Company pension contributions.
7. Comprises the aggregate of total salary and fees, taxable benefits, share incentive plan awards and pension benefits.
8. Comprises the aggregate of annual bonus and LTIP awards.

4. Annual bonus awards – performance assessment for 2023

In determining the bonus outcomes for 2023, the Committee took into account the Company's financial performance and achievements against key strategic and operational objectives established at the beginning of the year. 70% of the bonus was based on adjusted earnings and PRS NRI performance (with equal weightings) with the remainder based on achievement against strategic objectives. The targets applying to each financial measure and performance against the targets for 2023 are set out in the table below.

Financial performance (70% of the 2023 annual bonus opportunity)

Measure	Weighting	Threshold (0% out-turn)	Target (60% out-turn)	Maximum (100% out-turn)	2023 performance	Out-turn (% of max element)
						Bonus
Adjusted earnings	35%	£66.6m	£74.0m	£81.4m	**£97.6m**	**100%**

Measure	Weighting	Threshold (0% out-turn)	Target (60% out-turn)	Maximum (100% out-turn)	2023 performance	Out-turn (% of max element)
						Bonus
PRS NRI	35%	£72.3m	£76.1m	£79.9m	**£82.2m**	**100%**

Stretching targets were set in the context of a period of heightened uncertainty following the Government's mini budget in September 2022. The leadership team put in place an outperformance plan which delivered a 4% increase in adjusted earnings (£97.6m) and 16% growth in PRS net rental income (£82.2m). Both outcomes were above the maximum targets set by the Committee.

This outperformance plan was achieved through the in-house teams' focus on speed of lease up, efficiency of void management, cost savings and increased sales volume into a more challenging market. The resulting outperformance was despite the headwinds of scheme delays by third party developers and rising cost inflation and interest rates impacting on sales and is considered to be an outstanding performance.

The Committee considered whether this outcome was a fair representation of Company and management performance during the year and concluded that no adjustment was required. In doing so, the Committee was mindful of the level of customers' affordability noting that rental growth across the portfolio moved broadly in line with national wage inflation and occupancy was at a record high of 98.6%. In addition, Customer satisfaction as measured by NPS improved by 26%. This is a significant in-year improvement achieved by the delivery of a wide reaching customer experience programme and it provides a strong underpin to customer's perception of the value for money of renting with Grainger.

As a result of the strong performance against the financial objectives, the full bonus of 70% became payable.

Non-financial performance (30% of the 2023 annual bonus opportunity)

In respect of the strategic targets set for the Executive Directors, the targets and Committee's assessment of performance against the targets was as follows.

Objective	Measure	Performance assessment
1 Customer Satisfaction	Achieve delivery of customer engagement programme as outlined to the Board in June 2022	Achieved in full (1.5%) with the customer engagement programme completed and presented to the September Board
	Maintain NPS score at +34 and target for 2023 is +34 1% to +37 2%	Achieved in full (2%) with NPS score increased to +43, c 26% increase
	Customer touch points a) Minimum target 1200 to 0.5% Maximum 1500 to 1.5% (straight line) b) Touchpoint surveys and online surveys to show continuing progress	Achieved in full (1.5%) with the final year end touch point survey being 1569
2 ESG	Complete the diversity and inclusion ('D&I') independent review against National Equality Standard and agree actions	Achieved in full (1%). Completed NES review with a strong plan to deliver outstanding standards in 2024
	Maintain One Star overall for the employee satisfaction	Achieved in full (1%). Reached One Star and only three points off Two Stars
	To implement a strategy for engaging with local charities in each of our operational locations to support local communities and aligned to our values.	Achieved in full (1%) with strategy achieved and presented to the Responsible Business Committee in September 2023
	Deliver by year end	
	a) Baseline carbon emissions for Scope 1 to 3 to be agreed, audited and published	Achieved in full (2%)
	b) Plan to be agreed and published that takes us through to 2030 for Scope 1 and 2 as per our external commitment	Achieved in full (2%)
	c) Longer term plan to be agreed for Scope 3 emissions	Achieved in full (1.5%)
	d) Approach to tackle embedded carbon to be published based on best practice	Achieved in full (1.5%)

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Objective	Measure	Performance assessment
3 Health and Safety	a) Fire Safety works to be progressed. All sites costed and roadmap to delivery agreed b) Health and Safety Structure and culture improvements to be delivered with the new team and structure embedded c) Retain and improve Safety Climate Survey Score independently by Health and Safety Executive (ex-Health and Safety Lab)	Achieved in full (4%). All fire safety work pathway mapped and costed, included in the September 2023 Board Report New Health and Safety team structure embedded and new strategy presented to the Board. Survey scores increased
4 People	Complete delivery of high-level plan in accordance with the strategy	Achieved in full (1%). People strategy delivered and presented to the Board
5 Business Resilience	Delivery of procurement and other cost savings outlined to the Board in September Measurement at end of financial year Target £1-2m (£1m = 1% and £2m = 2%)	Achieved in full (2%) with cost saving of £2.3m achieved
	To accelerate sources of funding to increase headroom and fund growth opportunities in the absence of equity raises Measurement at end of financial year a) Asset Recycling target range as outlined in revised budget £120-150m b) Capex reduction £80m from September budget c) Secure 3 opportunities for 2025/26 requiring less than 10% of capital commitment	a) Achieved in part (1% out of 3%). £194m of total sales including vacant regulated sales and £134m asset recycling b) Achieved in full (2%). Capex reduction in budget was £82.7m, ahead of the £80m target c) Achieved in full (3%). Four opportunities including TfL sites, three requiring less than 10% of capital

Pursuant to the above assessment, totalling the above percentage outcomes, the Committee determined that 28% of the maximum 30% of this part of the bonus would be payable and was appropriate in the circumstances.

When combined with performance against the strategic targets, annual bonus was calculated at 98% of the maximum available.

It is the Committee's approach to view the performance in the round at the end of the year. The Committee believes a total bonus of 98% of the maximum bonus opportunity is representative of strong performance during the year.

	Bonus opportunity	2023 bonus payable (out of 100% maximum)	Bonus earned – payable in cash	Bonus earned – deferred in shares for three years[1]
Helen Gordon	140% of salary	**98%**	**£561,797**	**£187,266**
Rob Hudson	120% of salary	**98%**	**£382,684**	**£127,561**

1 The deferred bonus share award will be granted after the announcement of annual results.

5. LTIP/Recruitment awards vesting

LTIP and recruitment awards vesting in December 2023 and February 2024

The LTIP award granted to Helen Gordon in December 2020 is due to vest on 10 December 2023 and a tranche of the recruitment award granted to Rob Hudson on 11 October 2021 on similar terms is due to vest on 1 February 2024.

These awards are based 50% on a relative TSR condition, 25% on a TPR condition and a 25% on a Secured PRS condition measured over a three-year period. Performance against the original targets can be summarised as follows

Measure	Weighting	Threshold (25% vesting)	Maximum (100% vesting)	Actual performance	Out-turn (% of max element)
					LTIP
Relative TSR versus a bespoke group of Real Estate peers[1]	**50%**	**Median ranking**	**Upper quintile ranking or better**	**TSR of -14.0% currently places Grainger below median**	**0.0% (estimated)**
TPR (annual average growth)	**25%**	**5% p.a.**	**8% p.a.**	**5.1% p.a.**	**27.0%**
Secured PRS	**25%**	**£650m**	**£750m**	**£837m**	**100.0%**
Total estimated vesting	100%				**31.7%**

1 The TSR peer group comprises Assura, Balanced Commercial Property Trust, Big Yellow Group, CLS Holdings, Derwent London, Great Portland Estates, LondonMetric Property, LXI REIT, Primary Health Properties, Safestore, Segro, Shaftesbury Capital, Sirius Real Estate, Tritax Big Box REIT, UK Commercial Property REIT, UNITE Group and Workspace Group.

At the time of signing this report, the TSR performance period has not concluded. Based on performance to 19 October 2023, Grainger is ranked below median. This gives an indicative vesting of nil for this part of the award. Actual TSR vesting will be based on performance over three years from grant (10 December 2020) and the final performance, vesting outcome and value of LTIP for single total figure of remuneration purposes will be shown in next year's report.

The average TPR over three-year period was 5.1% (2021: 7.5%, 2022: 7.5%, 2023 0.4%). This resulted in performance just ahead of the threshold target.

The Secured PRS Investment metric is effectively a measure of the value of the Company's pipeline of future development opportunities and provides a clear focus on driving growth in the long-term. The metric and targets were agreed at the time of grant on a cumulative threshold target of £650m and a maximum target of £750m for the three-year period ended 30 September 2023. The actual value of investment secured during the period was £837m and was made up of:

- £158m in FY21 (Millwrights Place, Bristol; Becketwell, Derby; and The Forge, Newcastle)
- £252m in FY22 (Exmouth Junction, Exeter; Redcliff Quarter, Bristol; and West Way Square, Oxford)
- £427m in FY23 (Merrick Place, Southall; Southall (TfL, 51% share); Montford Place (TfL, 51% share); Arnos Grove (TfL, 51% share); and Nine Elms (TfL, 51% share)

The Committee evaluated the quality of investments in determining the PRS Investment vesting outcome. Firstly, the Committee considered the extent to which there was any material unapproved variation from the basis upon which any individual scheme was initially approved. Secondly, a post investment review for stabilised assets was undertaken with regular monitoring of schemes to ensure that investments remained of sufficient quality in light of then current market conditions.

The estimated vesting is 31.7% of the total award. The value of these awards shown in the single figure table are as follows:

Executive Director	Shares granted	Number of shares expected to lapse	Number of shares expected to vest	Estimated value of shares vesting[3] £'000	Face value of shares expected to vest[4] £'000	Impact of share price at vesting[5] £'000
Helen Gordon[1]	**350,496**	**239,230**	**111,266**	**264**	**314**	**(50)**
Rob Hudson[2]	**271,987**	**185,644**	**86,343**	**205**	**243**	**(38)**

1 LTIP award granted on 10 December 2020
2 Recruitment award granted on 11 October 2021 with the same performance targets as the 10 December 2020 LTIP award
3 Based on the average three month share price to 30 September 2023 of 237.5p
4 Based on the prevailing share price at the relevant grant date
5 The difference between the value of the shares under awards vesting and the value of the shares at grant

Vested awards are subject to a two-year post vesting holding period

LTIP and recruitment awards vested in February and March 2023

The awards made to Helen Gordon on 6 February 2020 vested on 6 February 2023 and were based 50% on relative TSR, 25% on TPR and 25% on Secured PRS Investment. A tranche of Rob Hudson's recruitment award was based on the same measures and targets and vested on 11 March 2023.

Grainger ranked between median and the upper quartile of the TSR peer group which resulted in 81.2% of this part of the award vesting (compared with a projected vesting of 46.1% disclosed in last year's report). TPR performance resulted in 69.9% of this part of the award vesting and the Secured PRS Investment measure was achieved in full. In aggregate, 83.1% of the December 2018 LTIP award vested in February 2023 compared to an estimated vesting of 65.5% disclosed in last year's report.

The value of these awards shown in the revised 2022 single figure table included in this Annual Report and Accounts is based on the share price at the date of relevant vesting dates (6 February (261.6p) and 11 March 2023 (239.4p)) and also includes the value of dividend equivalents on vested awards.

6. Share awards granted during the year

The following LTIP and DBSP awards were granted to the CEO and CFO in the year ended 30 September 2023:

	LTIP share awards (12 December 2022)		DBSP share awards (12 December 2022)	
	Number	**Face value £'000**	Number	Face value £'000
Helen Gordon	**417,297**	**1,023**	71,609	175
Rob Hudson	**298,616**	**732**	50,197	123

The face value of LTIP share awards for Helen Gordon (200% of salary) and Rob Hudson (175% of salary) is based on a price of 245.08p, being the average share price for the five business days immediately preceding the award being made on 12 December 2022. The awards will vest three years after grant and a two year holding period will apply.

The awards will be eligible to vest three years after grant, dependent upon continued employment and satisfying performance criteria. Three measures apply, each with one-third weighting – a relative TSR condition (measured against a group of real estate companies), a Total Property Income Return condition and a Secured PRS Investment condition.

The relative TSR performance condition requires Grainger's three-year relative TSR performance versus the comparator group to be at least at median for 25% of this part of the award to vest, with vesting then increasing on a straight-line basis to 100% for upper quartile relative TSR performance.

As explained in last year's report, a Total Property Income Return condition was set in place of TPR for this award due to the uncertainty affecting capital values at the time the awards were granted. The targets are based on annual average like for like rental growth over the three year performance period. For this part of the award, threshold (25% vesting) has been set at 3.5% annual average growth, and the maximum target at 5.0% annual average growth.

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The targets for the Secured PRS Investment condition were agreed during a period of significant uncertainty which was expected to impact the potential for raising equity to finance new acquisitions and increase the cost of raising debt to grow Secured PRS Investment. The targets were set assuming funding solely from our ongoing asset recycling programme, operational cash flow generation and with LTV in mind. The targets were also set on the proviso that should the equity markets reopen, and we generate proceeds from debt or equity in the period, the related investments will either be excluded from the assessment of performance against the original targets, or the target range would be increased to reflect the funding to ensure the targets remain at least as stretching as the original ones. As the financial year progressed, we were able to secure substantial pipeline in a capital efficient way leading to the target being achieved in the year. Reflecting this strong performance, the Committee felt it was appropriate to revisit the target range. Accordingly, at the end of the FY23 year, the Committee increased the target range to ensure the targets were as stretching as the original ones based on the current market outlook. The revised targets will be disclosed at the time of vesting.

In relation to the Secured PRS Investment measure attached to the 16 December 2021 LTIP awards, two years of the three year performance period have completed and performance is on track for vesting at the upper end of the target range, assuming further PRS investments are secured during the remainder of the period.

The deferred bonus share plan ('DBSP') awards relate to a 25% deferral of the FY2022 annual bonus into Company shares and is based on a price of 245p, being the average share price for the three business days immediately preceding the award being made on 12 December 2022. The awards will be eligible to vest after three years subject to continued employment.

7. Payments for loss of office and to past Directors

No payments for loss of office or payments to past Directors were made in the year ended 30 September 2023.

8. Directors' shareholdings and share interests

Past share awards

		Awards granted	Maximum award Number	Awards vested Number	Awards lapsed Number	**Maximum outstanding awards at 30 Sep 2023 Number**	Market price at date of vesting (p)	Vesting date
Helen Gordon	LTIP shares	06-Feb-20	330,116	274,231	55,885	–	261.6	06-Feb-23
	LTIP shares	10-Dec-20	350,496	–	–	**350,496**	–	10-Dec-23
	LTIP shares	16-Dec-21	325,665	–	–	**325,665**	–	16-Dec-24
	LTIP shares	12-Dec-22	417,297	–	–	**417,297**		12-Dec-25
	DBSP[2]	10-Dec-19	16,429	16,429	–	–	247.0	10-Dec-22
	DBSP	10-Dec-20	43,397	–	–	**43,397**	–	10-Dec-23
	DBSP	16-Dec-21	38,238	–	–	**38,238**	–	16-Dec-24
	DBSP	12-Dec-22	71,609	–	–	**71,609**		12-Dec-25
Rob Hudson	LTIP shares	11-Oct-21	184,537	153,297	31,240	–	239.4	11-Mar-23
	LTIP shares	11-Oct-21	271,987	–	–	**271,987**	–	01-Feb-24
	LTIP shares	16-Dec-21	233,045	–	–	**233,045**	–	16-Dec-24
	LTIP shares	12-Dec-22	298,616	–	–	**298,616**	–	12-Dec-25
	DBSP	16-Dec-21	2,233	–	–	**2,233**	–	16-Dec-24
	DBSP	12-Dec-22	50,197	–	–	**50,197**	–	12-Dec-25

1 Details of the December 2022 LTIP awards are set out in Note 6 (Share awards granted during the year) above.
2 LTIP and DBSP share options vested but are unexercised at the date of this report. These will remain available for exercise in accordance with the scheme rules.
3 Recruitment awards granted in replacement of awards forfeited by Rob Hudson on leaving his previous employer. Full details of the grants are set out in the September 2021 Directors' Remuneration Report.

All-employee share options under SAYE

			Granted in year		Lapsed during year	Exercised during year							
		Share options at 1 Oct 2022	Number	Grant price (p)	Number	Number	Exercise price (p)	Market price on exercise (p)	Gains on exercise of share options (£)	**Share options at 30 Sep 2023**	Exercise price (p)	Earliest exercise date	Latest exercise date
Helen Gordon	SAYE	9,326	–	–	–	9,326	193.0	243.0	4,663	–	193.0	01-Sep-22	01-Mar-23
	SAYE	7,258	–	–	7,258	–	–	–	–	–	–	–	–
	SAYE		8,866	203.0	–	–	–	–	–	**8,866**	203.0	01-Sep-26	01-Mar-27
Rob Hudson	SAYE	12,096	–	–	12,096	–	–	–	–	–	–	–	–
	SAYE	–	14,778	203.0	–	–	–	–	–	**14,778**	203.0	01-Sep-28	01-Mar-29

The closing trade share price on 29 September 2023 was 233.6p. The highest trade share price during the year was 271.8p and the lowest was 205.4p.

All-employee share awards under the SIP

	Ordinary shares of 5p each	
	1 Oct 2022 shares	**30 Sept 2023[1] shares**
Executive Directors		
Helen Gordon	8,862	**10,342**
Rob Hudson	–	**1,478**

1 Since 30 September 2023 Helen Gordon and Rob Hudson acquired shares in the Company through the Grainger Employee Share Incentive Scheme (250 ordinary 5p shares each).

Shareholding at 30 September 2023

Directors' share interests and shareholding requirements are set out below. In order that their interests are aligned with those of Shareholders, Executive Directors are expected to build up and maintain a personal shareholding equal to 200% of basic salary in the Company. The table below sets out the Directors' interests in shares.

In thousands ('000)	**Beneficially owned shares at 30 Sep 2023**	Vested but unexercised share awards	Unvested share awards	**Total interests held at 30 Sep 2023[1]**	Total interests held at 30 Sep 2022	Shareholding as % of basic salary[2]
Executive Directors						
Helen Gordon	**603**	291	1,256	**2,150**	1,713	317.3
Rob Hudson	**114**	247	871	**1,232**	1,003	130.4
Non-Executive Directors						
Rob Wilkinson	**N/A**	–	–	**N/A**	44	N/A
Mark Clare	**161**	–	–	**161**	161	N/A
Justin Read	**21**	–	–	**21**	21	N/A
Janette Bell	**2**	–	–	**2**	2	N/A
Carol Hui	**5**	–	–	**5**	–	N/A
Michael Brodtman	**20**	–	–	**20**	–	N/A

1 The total interests include beneficially owned shares, shares held in the SIP trust, vested but unexercised shares and unvested share awards.

2 The value of shares held (calculated as at 29 September 2023 when the share price was 233.6p) includes shares owned beneficially, vested but unexercised share awards (on a post tax basis) and those purchased under the SIP. If unvested DBSP awards (which vest subject to continued employment only) and the December 2020 LTIP due to vest in December 2023 for which performance has already been tested and estimated in respect of the TSR condition were to be included, the value of shares held (on a post-tax basis) would rise to 376% of basic salary in the case of Helen Gordon. If unvested DBSP awards (which vest subject to continued employment only) and non-performance related buyout awards together with the estimated value of buyout awards due to vest in February 2024 were to be included, the value of shares held (on a post-tax basis) would rise to 169.5% of basic salary in the case of Rob Hudson.

9. Performance graph

Total Shareholder Return

This graph shows the percentage change by 30 September 2023 of £100 invested in Grainger plc on 30 September 2013 compared with the value of £100 invested separately in both the FTSE 250 Index and the FTSE 350 Real Estate Supersector Index. These indices have been chosen as Grainger is a constituent in each.

Chart removed

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ANNUAL REPORT ON REMUNERATION (CONTINUED)

10. Chief Executive single figure

		Chief Executive single figure of total remuneration £'000	Annual variable element award rates against maximum opportunity %	Long-term incentive vesting rates against maximum opportunity %
2023	Helen Gordon	1,638	98	32
2022	Helen Gordon[2]	2,022	98	83
2021	Helen Gordon	1,631	67	48
2020[1]	Helen Gordon	1,688	70	67
2019	Helen Gordon	1,185	27	36
2018	Helen Gordon	1,174	72	8
2017	Helen Gordon	985	61	N/A
2016[3]	Helen Gordon (from 4 January 2016)	882	73	N/A
2016	Andrew Cunningham (to 4 January 2016)	376	–	–
2015	Andrew Cunningham	2,185	–	98
2014	Andrew Cunningham	2,477	64	100

1 The total remuneration and long-term incentive vesting figures for 2023 are estimated.
2 The total remuneration has been restated following the update to the 2022 single figure table.
3 *Helen Gordon's single figure of total remuneration includes the period when she was Chief Executive designate during which Andrew Cunningham was Chief Executive.* Accordingly, there is an element of double counting in her single figure of total remuneration for 2016.

11. Percentage change in remuneration of Chief Executive and employees

The annual percentage change in remuneration over the last four years, excluding LTIP and pension contributions, for the Chief Executive, Chief Financial Officer, Non-Executive Directors and for the average of all other employees in the Group was as follows:

	Percentage change 2019-2020			Percentage change 2020-21			Percentage change 2021-22			Percentage change 2022-23		
Executive Directors	Base salary	Taxable benefits	Annual bonus	Base salary	Taxable benefits	Annual bonus	Base salary	Taxable benefits	Annual bonus	Base salary	Taxable benefits	Annual bonus
Helen Gordon	2.5%	0.1%	162.3%	1.5%	(0.2)%	(3.6)%	2.0%	(0.2)%	50.2%	9.0%	(0.4)%	(6.8)%
Vanessa Simms[1]	2.5%	0.1%	(100.0)%	1.5%	(43.1)%	–	–	–	–	–	–	–
Rob Hudson[2]	–	–	–	–	–	–	2.0%	(0.4)%	50.2%	5.0%	(0.9)%	(3.8)%
Non-Executive Directors												
Mark Clare	2.5%	N/A	N/A	1.5%	N/A	N/A	2.0%	N/A	N/A	6.0%	N/A	N/A
Andrew Carr-Locke[3]	2.5%	N/A	N/A	1.5%	N/A	N/A	–	N/A	N/A	N/A	N/A	N/A
Justin Read[3]	2.5%	N/A	N/A	1.5%	N/A	N/A	16.4%	N/A	N/A	6.0%	N/A	N/A
Janette Bell[3]	2.5%	N/A	N/A	1.5%	N/A	N/A	10.8%	N/A	N/A	6.0%	N/A	N/A
Rob Wilkinson[4]	2.5%	N/A	N/A	1.5%	N/A	N/A	2.0%	N/A	N/A	6.0%	N/A	N/A
Carol Hui[5]	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	6.0%	N/A	N/A
Michael Brodtman[6]	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Employee population	2.8%	0.8%	13.7%	2.0%	(0.7)%	33.3%	2.5%	(0.8)%	4.6%	5.3%	(1.7)%	2.6%

1 No bonus was awarded to Vanessa Simms due to her resignation in October 2020.
2 Rob Hudson joined Grainger on 3 August 2021. The growth rates for base salary, taxable benefits and annual bonus [illegible]
3 Andrew Carr-Locke stepped down from the Board in February 2022. Justin Read was appointed Senior Independent Director and Chair of the Audit Committee and Janette Bell has taken over as Chair of the Remuneration Committee.
4 Rob Wilkinson stepped down from the Board in February 2023.
5 Carol Hui was appointed to the Board on 1 October 2021 and Chair of the Responsible Business Committee.
6 Michael Brodtman joined the Board on 1 January 2023.

12. Chief Executive pay ratio

The table below compares the 2023 single total figure of remuneration for the CEO as shown in Note 3 on page 102 with the Group's employees paid at the 25th, 50th and 75th percentiles:

Financial year	Method	25th percentile	50th percentile (median)	75th percentile
2023	**A**	**51:1** **Total pay and benefits £31,830** **Salary £26,882**	**33:1** **Total pay and benefits £49,900** **Salary £44,447**	**19:1** **Total pay and benefits £85,792** **Salary £63,495**
2022	A	60:1 Total pay and benefits £31,831 Salary £25,241	40:1 Total pay and benefits £47,521 Salary £38,500	23:1 Total pay and benefits £81,590 Salary £72,116
2021	A	48:1 Total pay and benefits £32,711 Salary £25,000	33:1 Total pay and benefits £48,540 Salary £42,923	20:1 Total pay and benefits £80,586 Salary £64,720
2020	A	58:1 Total pay and benefits £29,968 Salary £27,708	39:1 Total pay and benefits £44,748 Salary £37,898	23:1 Total pay and benefits £76,196 Salary £63,338

Our calculations were made on 10 November 2023 using Option A as the most statistically accurate method

In undertaking our calculations, no adjustments were made to the figures other than determining the FTE remuneration for all employees within the Group over the financial year. No non-salary employee remuneration components have been omitted. Joiners, leavers, employees on a period of statutory leave (such as maternity, paternity and shared parental leave) and long-term absences during the financial year were excluded

Total FTE remuneration was calculated on the same basis as the CEO single figure table and includes annual base salary, taxable benefits (private medical insurance, car allowance), matching shares under our Share Incentive Plan, annual bonus for performance delivered in the financial year and paid in December 2023, employer pension contributions, and taxable share plans.

The Committee considers that the median CEO pay ratio is consistent with the pay, reward and progression policies available to our employees. We operate an in-house service model, directly employing colleagues for onsite roles in our growing portfolio of developments and our employee population at this level will continue to increase as we resource appropriately It is therefore difficult to compare our ratios with those in the property industry who do not operate under a similar model.

13. Relative importance of spend on pay

The difference in actual expenditure between 2022 and 2023 on remuneration for all employees, in comparison to profit before tax and distributions to Shareholders by way of dividend, is set out in the charts below. Profit before tax is considered to be an appropriate financial metric as it is not impacted by changes in tax rates which are outside of the direct control of the Company.

Profit before tax

(£m)

-£271.2m

-91%

2023 £27.4m
(2022 £248.6m*)

*Includes £81.2m one-off impact resulting from property reclassifications in 2022

Dividend

(£m)

+£4.9m

+11%

2023 £49.1m
(2022 £44.2m)

Total employee pay

(£m)

+£3.2m

+12%

2023 £29.6m
(2022 £26.4m)

14. Statement of implementation of Remuneration Policy for 2024

Base salary

As set out in last year's Directors' Remuneration Report ("DRR"), when the Committee carried out a review of the Directors' Remuneration Policy in 2022, it became clear to the Committee that Helen Gordon's base salary had not kept pace with Grainger's increased size and complexity or its strong operational and financial performance. We therefore consulted major shareholders on a two-step increase to Helen's base salary with a 9% increase applying from January 2023 (to £557,500) and a 6% increase from 1 January 2024 (to £591,000). The second increase was subject to continuing strong individual and Company performance. On the basis that Helen has continued to demonstrate strong leadership during a continued challenging macroeconomic and political environment and Grainger has again delivered significant value through high like-for-like rental growth and with occupancy at record highs, the Committee has concluded that the second increase of 6% will apply from January 2024. In reaching this decision we also considered the salary increase for the wider workforce. In recognition of the ongoing cost of living issues being experienced by colleagues, particularly those on lower pay, the wider workforce will receive an average increase of between 5% and 6%, with 6% focused on our lowest paid employees Rob Hudson's increase will be 5%. Changes to salaries will be effective from 1 January 2024.

Pension

A workforce aligned 10% of salary pension contribution will be payable to the CEO and CFO.

Annual bonus

The structure and metrics to operate for the 2024 annual bonus are as follows:

Chief Executive: 140% of salary

Chief Financial Officer: 140% of salary (subject to major Shareholders being supportive of the proposed increase from 120% of salary)

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The table below sets out the performance measures and their respective weightings for 2024:

Metric	Weighting	Rationale and description
PRS NRI	35%	Rental income from PRS after property operating expenses incentivises management to focus on growing income and reducing cost
Adjusted earnings	35%	Incentivises operational success in achieving rental growth, income from sales and reduction in operational and finance costs relative to a challenging budget. The targets for FY24 are challenging and have taken into account the impact of the reducing size of our regulated tenancy portfolio and the impact of scheme deliveries
Strategic and Operational objectives	20%	Specific objectives relating to Customer Satisfaction, Business Resilience and Funding and Investment will apply. Due to matters of commercial sensitivity it would not be in the interests of the Company to disclose the precise operational targets for the annual bonus at the date of production of this report. Details of the objectives and the performance achieved will be disclosed retrospectively in the 2024 Annual Report
ESG	10%	Incentivises delivery of Grainger's corporate strategy and commitments in respect of Community, Environment, Governance and People (including Health and Safety)

In line with our Policy, 25% of any bonus earned will be delivered as a deferred bonus share award which will vest after three years.

LTIP

It is expected that the LTIP awards to be made to the Executive Directors in the year ending 30 September 2024 will be at the levels detailed below and subject to a two-year holding period:

- Chief Executive: 200% of salary
- Chief Financial Officer: 175% of salary

The performance measures to apply for the 2023 LTIP will be as follows:

Metric	Weighting	Targets		
Relative TSR (versus a bespoke group of real estate peers)	30%	Performance level	Ranking	Vesting (of this part of an award)
		Below threshold	Below median	0%
		Threshold	Median	25%
		Maximum	Upper quartile	100%
Total Property Income Return	30%	TPIR is based on a sliding scale of annual average like-for-like rental growth over the three-year performance period		
		Performance level	TPIR	Vesting (of this part of an award)
		Below threshold	Below 3.5%	0%
		Threshold	3.5%	25%
		Maximum	5%	100%
Secured PRS Investment[2]	30%	The actual targets are considered to be commercially sensitive at this time, but a qualitative assessment of progress will be provided in the 2024 and 2025 remuneration reports and full retrospective disclosure of the targets and achievement will be set out in the 2026 report		
ESG - Carbon	10%[3]	Operational carbon (5% weighting) - achieve a 6% (threshold) to 12% (max) reduction in operational carbon per m2 for the PRS portfolio by 2026 (includes building related emissions for Scopes 1, 2 and 3) Embodied carbon (5% weighting) - achieve a 6% (threshold) to 12% (max) reduction in embodied carbon for direct development projects in design by 2026		

1. Given the uncertainty affecting capital values in the short term and the difficulty in setting a robust three-year TPR target [illegible] three-year TPIR measure.
2. [illegible] Secured PRS Investment [illegible] aggregate [illegible] secured PRS Investment [illegible] 25% [illegible] maximum stretch [illegible] However [illegible] LTIP cycle 2023 to 2025 [illegible] asset recycling programme [illegible] However [illegible] equity market [illegible] original targets [illegible] The Committee [illegible] to evaluate the quality of investments when determining the PRS Investment vesting outcome. Firstly, the Committee will consider the extent to which there was any material unapproved variation from the plan [illegible] Secondly [illegible] regular monitoring of schemes in progress to ensure that investments [illegible] the Committee [illegible] may take appropriate corrective action [illegible] LTIP grant [illegible] year targets [illegible]
3. The Operational and Embodied carbon targets include [illegible] assumptions [illegible] To the extent that the underlying assumptions change materially, the Committee reserves the ability to revisit the performance metrics, weighting and targets to ensure that they remain appropriately challenging [illegible] Grainger's transition to Net Zero.

The Committee will retain the right to reduce overall pay outcomes if it considers the variable pay result does not reflect broader Company performance over the relevant performance periods.

Non-Executive Directors' fees

The Non-Executive Directors' ('NED') fee levels will increase in line with the typical employee population increase by 5% with effect from 1 January 2024. Current fee levels are as follows:

	1 January 2024	1 January 2023
Basic Non-Executive Director fee	**£55,512**	£52,869
Additional fee for chairing Board committee	**£11,221**	£10,687
Additional fee for Senior Independent Director duties	**£9,448**	£8,998
Chairman's fee	**£194,881**	£185,601

15. Directors' service agreements and letters of appointment

Executive Directors	Contract commencement date	Notice period
Helen Gordon	November 2015	12 months
Rob Hudson	31 August 2021	6 months

Non-Executive Directors	Date of initial appointment
Mark Clare	February 2017
Rob Wilkinson	October 2015
Justin Read	February 2017
Janette Bell	February 2019
Carol Hui	1 October 2021
Michael Brodtman	1 January 2023

16. Details of the Remuneration Committee, advisers to the Committee and their fees

The Remuneration Committee currently comprises the Company Chair and four independent Non-Executive Directors. Details of the Directors who were members of the Committee during the year are as follows:

Committee member	Member since	Meetings attended	Meetings eligible to attend
Justin Read (Committee Chair to 9 February 2022)	May 2017	7	7
Mark Clare	May 2017	7	7
Janette Bell (Committee Chair from 9 February 2022)	May 2019	7	7
Rob Wilkinson (until February 2023)	May 2017	3	4
Carol Hui (Committee member from 9 February 2022)	November 2021	7	7

The Company Secretary, the Chief People Officer and other members of the senior management team may be invited to attend Committee meetings as appropriate. No Directors are involved in deciding their own remuneration.

FIT Remuneration Consultants LLP were appointed by the Remuneration Committee to provide advice on executive remuneration matters. Total fees paid or payable (as applicable) to FIT for services to the Committee during the 2023 financial year were £121,954 (2022: £71,745). The increased fee was in relation to work in respect of the remuneration policy review, engagement with stakeholders and benchmarking for the Executive Committee members. FIT are signatories to the Remuneration Consultants' Group Code of Conduct and any advice provided is governed by that Code. The Committee reviews the adviser relationship periodically and remains satisfied that the advice it receives from its advisers is independent and objective.

17. Statement of voting at general meeting

At the AGM held on 8 February 2023, the Directors' Remuneration report and Policy received the following votes from Shareholders.

	Directors' Remuneration report (2023)		Remuneration Policy (2023)	
	Total number of votes	% of votes cast	Total number of votes	% of votes cast
For	579,078,117	93.51	599,740,550	95.06
Against	40,171,451	6.49	31,191,167	4.94
Total votes cast (for and against)	619,249,568	100	630,931,717	100
Votes withheld	11,623,356		3,667	

Janette Bell
Chair of the Remuneration Committee

21 November 2023

DIRECTORS' REPORT

In accordance with the UK Financial Conduct Authority's Listing Rules ('LR'), the information to be included in the Annual Report and Accounts, where applicable under LR 9.8.4, is set out in Note 15 to the financial statements on page 146 in relation to the dividend waiver arrangements.

Information incorporated by reference

The Corporate Governance Statement on pages 70 to 116 forms part of this Directors' report and is incorporated into this Directors' report by reference.

Directors' interests in significant contracts

No Directors were materially interested in any contract of significance.

Statement of Directors' responsibilities in respect of the Annual Report and the financial statements

The Directors are responsible for preparing the Annual Report and the Group and parent Company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and parent Company financial statements for each financial year. Under that law they are required to prepare the Group financial statements in accordance with UK-adopted international accounting standards (IFRS) and applicable law and have elected to prepare the parent Company financial statements in accordance with UK accounting standards and applicable law, including FRS 101 Reduced Disclosure Framework.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent Company and of the Group's profit or loss for that period. In preparing each of the Group and parent Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant, reliable and prudent;
- for the Group financial statements, state whether they have been prepared in accordance with UK-adopted international accounting standards (IFRS);
- for the parent Company financial statements, state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the parent Company financial statements.
- assess the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.
- The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that complies with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

In accordance with Disclosure Guidance and Transparency Rule 4.1.14R, the financial statements will form part of the annual financial report prepared using the single electronic reporting format under the TD ESEF Regulation. The auditor's report on these financial statements provides no assurance over the ESEF format.

Responsibility statement of the Directors in respect of the annual financial report

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the Strategic report includes a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

We consider the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for Shareholders to assess the Group's position and performance, business model and strategy.

By order of the Board

Rob Hudson
Director

21 November 2023

Financial risk management

Details are included in Note 27 to the financial statements

Directors' indemnities and insurance

The Company has in place contractual entitlements for the Directors of the Company and its subsidiaries to claim indemnification by the Company for certain liabilities they might incur in the course of their duties. We have established these arrangements, which constitute qualifying third-party indemnity provision and qualifying pension scheme indemnity provision, in compliance with the relevant provisions of the Companies Act 2006. They include provision for the Company to fund the costs incurred by Directors in defending certain claims against them in relation to their duties. The Company also maintains an appropriate level of Directors' and officers' liability insurance.

Sustainability

Comprehensive disclosure on the Company's Environmental, Social and Governance performance is available on our website at www.graingerplc.co.uk/responsibility.

Streamlined Energy and Carbon Reporting Disclosure

Scope 1 and 2 Global GHG emissions data for period 1 October 2022 to 30 September 2023.

Emissions (tonnes of CO_2e) from	2022 location-based	**2023 location-based**	Trend location-based	2022 market-based	**2023 market-based**	Trend market-based
Scope 1 (Fuel combustion in vehicles and buildings)	1,031	**767**	-26%	1,031	**767**	-26%
Scope 2 (Electricity)	1,042	**1,150**	10%	314	**170**	-46%
Total footprint	2,073	**1,917**	-8%	1,345	**937**	-30%
Outside of Scopes (Biogenic emissions)	654	**1,228**	88%	654	**1,228**	88%
Company's chosen intensity measurement:						
Emissions reported above per m2 Gross Internal Area[1]	0.0029	**0.0026**	-9.8%	0.0019	**0.0013**	-32.0%
Emissions reported above per owned unit[2]	0.2281	**0.2049**	-10.1%	0.1480	**0.1002**	-32.3%
Emissions reported above per employee[3]	6.0614	**5.1532**	-15.0%	3.9327	**2.5188**	-36.0%

Scope 3 Global GHG emissions data for period 1 October 2022 to 30 September 2023

Emissions (tonnes of CO_2e) from	2022	**2023**	Trend
Purchased goods and services[4]	8,384	**7,272**	-13%
Capital goods[5]	62,063	**62,367**	0%
Fuel and energy-related activities[6]	648	**687**	6%
Upstream transportation and distribution[7]	2.5	**3.2**	28%
Waste generated in operations[8]	0.2	**0.2**	0%
Business travel (air, rail, vehicles and hotels)	110	**161**	46%
Employee commuting[9]	192	**533**	178%
Upstream leased assets (office energy use)[10]	102	**90**	-12%
Downstream transportation and distribution	N/A	**N/A**	N/A
Processing of sold products	N/A	**N/A**	N/A
Use of sold products	719	**262**	-64%
End-of-life treatment of sold products	55	**88**	60%
Downstream leased assets (customer energy use)[12]			
PRS	11,702	12,630	8%
Regulated tenancies	10,871	8,697	-20%
Commercial	830	905	9%
Total	**23,403**	**22,232**	**-5%**
Franchises	N/A	**N/A**	N/A
Investments (Residential – mortgages 'CHARM')[13]	926	**771**	-17%
Total Scope 3 emissions	96,605	**94,466**	-2%

1 Gross Internal Area for Grainger's residential portfolio
2 Number of owned units during the financial year, including units owned in Joint Ventures that are within Grainger's operational control
3 Total number of employees of Grainger plc on the last day of the financial year
4 This has been calculated based on spend data using CEDA emissions factors and includes all operational expenditure
5 This has been calculated based on spend data using CEDA emissions factors and includes all capital expenditure
6 Includes WTT emissions from fuels and electricity transmission and distribution losses
7 Includes emissions for courier services calculated from spend data
8 Includes waste generated from two offices that Grainger leases from its landlords and estimated waste for other offices
9 Employee commuting has been estimated from an employee survey and includes working from home emissions. 2022 data was estimated from a benchmarking tool
10 Includes landlord obtained emissions from two offices that Grainger leases from its landlords
11 Includes in-use and end-of-life emissions for properties sold in the year that Grainger developed for sale which for 2023 comprises 35 units at The Boathouse, Clippers Quay, Young Street and shared ownership homes in the Grainger Trust portfolio
12 Downstream leased assets – Includes estimated customer energy use for Grainger's portfolio of leased residential and commercial buildings which has been calculated from a combination of actual meter readings, extrapolation of actual data and estimation from Energy Performance Certificates (EPCs) and CIBSE benchmarks. 24% of data was calculated from actual meter readings
13 Emissions from the 'CHARM' portfolio of residential mortgages calculated using the PCAF methodology for Grainger's equity share

DIRECTORS' REPORT (CONTINUED)

Underlying global energy use data for period 1 October 2022 to 30 September 2023

Energy use (kWh)	2022	**2023**	Trend
Electricity	5,371,804	**5,531,207**	3%
Natural gas	6,837,406	**8,572,053**	25%
District heating	18,040	**24,833**	38%
Biomass	974,556	**934,810**	-4%
Transport fuel	320,142	**177,160**	45%
Total energy use	13,521,948	**15,240,063**	13%

Summary

As a quoted company incorporated in the UK, Grainger complies with the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 and the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018. Grainger reports all material GHG emissions using 'tonnes of CO_2 equivalent' ('tCO_2e') as the unit of measurement and reports energy use in kWh. Our reporting period is 1 October 2022 to 30 September 2023 and we report energy use and emissions for the previous year to show trends.

We report on all energy use and GHG emissions for the operations within the boundaries of our financial statements. All energy use and emissions data relates to emissions in the UK and offshore area.

Between 2022 and 2023, energy consumption from our property portfolio has increased by 14%. Grainger's total location-based GHG emissions have decreased by 8%, and market-based emissions have decreased by 30%.

In 2023 we have enhanced our Scope 3 emissions reporting to include the following additional categories: Purchased goods and services, Capital goods, Upstream transportation and distribution, Waste from operations, Employee commuting, Use of sold products, End of life treatment of sold products and Investments. This means we are now reporting on all relevant Scope 3 categories. We have used a new methodology to calculate estimated customer emissions from Downstream leased assets, using actual data where this is available to improve the accuracy of the reported emissions. We have also restated all 2022 comparables accordingly. All categories are calculated using methodologies in line with the Corporate Value Chain (Scope 3) Standard.

Trends

Energy: The overall increase in energy use can be attributed to the increase in gas use compared to the previous year. This increase is primarily due to the acquisition of three properties which were not included during the previous reporting period, which contributed 18% of natural gas use across the portfolio this year. In addition, the UK experienced a slight increase in the number of cooling-degree days compared to the same period in 2021/22. On a like-for-like basis, only considering properties which were fully active across the two years, there has been a 6.6% reduction in natural gas use. Electricity use has remained largely consistent, showing only a slight increase, whilst on a like-for-like basis there has been a 1.6% reduction.

Emissions: Our Scope 1 emissions have significantly decreased. In 2022 we switched a number of properties to a green gas tariff mid-year, which is backed by biogas instead of natural gas. In 2023 these sites have been on this tariff for the full year and so Scope 1 emissions have reduced. Location-based Scope 2 emissions have increased from the previous year. This is due to a combination of increased electricity use (3%) from acquisitions and the increase in the UK electricity grid intensity (7%). Market-based Scope 2 emissions have decreased. This is due to the continued increase in coverage of renewable electricity at our locations, with 89% of our portfolio meters now covered by a renewable electricity tariff.

Methodology

Grainger uses the GHG Protocol Corporate Standard (revised edition), Government Environmental Reporting Guidelines 2019 and ISO14064: Part 1 standard for its reporting, using the operational control approach. We have used the UK Government Conversion Factors for Company Reporting 2023 for emissions calculations, including location-based Scope 2 reporting. For our market-based emissions we have used contractual instruments where there is data readily available and if unavailable, the Association of Issuing Bodies European Residual Mixes 2022 for market-based reporting for 2023. We used emissions factors from the same sources in 2022. We have reported on all energy use and emissions sources required under the regulations. We purchase 100% renewable electricity tariffs for 89% of our portfolio meters, representing 90% of electricity consumption, which has resulted in lower Scope 2 emissions using the market-based approach compared to the location-based approach. Where no contractual data is available, we use residual mix emissions factors.

Scope 1 data

This includes landlord-obtained gas and biomass heating consumed in common areas and by tenants on an unmetered basis, gas consumed in Grainger's offices, as well as fuel consumption in vehicles owned or leased by Grainger. Fugitive emissions are not included as they have been assessed to be immaterial.

Scope 2 data

This includes landlord-obtained electricity and district heating consumed in common areas and by tenants on an unmetered basis as well as electricity consumed by Grainger in its offices.

Scope 3 data

This includes all relevant Scope 3 categories.

Emissions from Purchased goods and services and Capital goods have been reported for the first time and are calculated from spend data using CEDA emissions factors.

Fuel and energy related activities includes well-to-tank emissions from fuels and emissions from the transmission and distribution of electricity.

Waste generated from operations and Upstream leased assets emissions have been calculated from waste and energy data provided by landlords for Grainger's occupied offices. Where waste data was unavailable it has been estimated using available waste data and employee occupation figures.

Business travel emissions have been calculated from actual mileage records and spend data and includes hotel stays. Employee commuting has been estimated from an employee survey and workforce data and includes emissions from employees working from home. For FY22 employee commuting emissions were calculated primarily using a benchmarking tool and in FY23 they were calculated using more actual employee survey data. This has seen emissions increase year on year and comparisons between the two years should be cautionary.

Sold products consists of units developed by Grainger for sale which include units at The Boathouse, Clippers Quay, Young Street and shared ownership units on the Grainger Trust portfolio. Use of sold products emissions have been estimated from actual energy used in Grainger's leased properties on the same estate or from EPCs where no actual data is available. End-of-life treatment of sold products emissions have been estimated using data from Whole Life Carbon assessments undertaken on similar Grainger properties.

Downstream leased assets includes emissions from energy used by Grainger's customers in our buildings and uses a combination of actual energy data, extrapolation of actual data to fill gaps in data for the same asset, and proxy data for similar assets. Where no actual data or suitable proxy was available, emissions have been estimated using data from EPCs and CIBSE benchmarks.

Investment includes emissions from a portfolio of residential mortgages 'CHARM' calculated using the PCAF methodology, and are reported for Grainger's equity share.

Energy use data

This includes purchased electricity, natural gas, biomass, district heating and transport fuels (petrol and diesel, which have been converted to kWh from mileage records using the UK Government conversion factors). Grainger has solar photovoltaic panels generating electricity on a number of properties, but the energy generated is exported to the grid or used to supply building communal areas and is unable to be reported.

Restatements and estimation

We have recalculated emissions for 2022 as we have been able to obtain more accurate and complete data for Scope 1 and Scope 2 emissions from energy consumption in our property portfolios. Properties which were completed in 2022 for which no data was available for the prior year's reporting have been included and a small number of recently completed properties are excluded from 2023 reporting because data is not yet available. We will gather data in 2024 to include these properties in our future reporting. Where Grainger-obtained utility consumption data is partially unavailable or unreliable for an asset, estimation has been undertaken by extrapolating, first using data from the current reporting period and if unavailable, data from the previous reporting period. For 2023 3% of energy from fuels for Scope 1 emissions and 2% of electricity for Scope 2 emissions data has been estimated.

During 2023 we calculated our baseline emissions for all relevant Scope 3 categories. All Scope 3 emissions for 2022 have been restated to reflect the methodology used which has been applied consistently for 2022 and 2023 reporting.

Intensity metrics

We have used three intensity metrics: emissions per residential gross internal area ($tCO_2e/m2$), emissions per the number of owned units (tCO_2e/owned unit) and emissions per number of employees (tCO_2e/employee) to align with our financial reporting. The floor area of our portfolio has increased between 2022 and 2023 due to acquisitions. This coupled with the decrease in combined Scope 1 and 2 market-based emissions has caused a decrease in the emissions per m2 by 32%. Our investment in new energy efficient housing delivery has increased the number of homes in the portfolio whilst the efficiency of the portfolio has improved, resulting in a reduction in emissions per owned unit of 32%. There has been an increase in the number of employees due to an increase in the number of buildings, which coupled with the reduction in emissions has resulted in a 36% decrease in the emissions per employee.

Energy efficiency measures

As part of our long-term asset management activities, we undertake comprehensive refurbishments to the common parts of our buildings and have a programme of rolling refurbishments for units. These refurbishments include a number of energy efficiency measures. For common parts a typical refurbishment includes a lighting upgrade with installation of lighting controls, and fabric upgrades where required. We have undertaken major refurbishments to the common parts of 8 assets this year, which included lighting upgrades, window replacements and roof insulation. We have identified reductions in energy consumption at 6 of these buildings where works have been completed, achieving 4% savings in the year-on-year figures.

Refurbishments undertaken to individual units include many energy efficiency improvements including window replacements, installation of more efficient heating systems and insulation. The resulting reductions in energy consumption are experienced by our customers in their directly-purchased energy usage, and are reflected in our estimated customer energy use and emissions.

Customers energy use and emissions

Grainger's customers purchase their own energy and data privacy laws make it challenging to obtain actual customer energy data which can be used to calculate actual Scope 3 emissions. Between 2022 and 2023 Grainger has rolled out a green lease clause to enable customer energy data to be collected and used for reporting purposes. Meter readings have been taken when properties are void and during property inspections where customers have provided consent. The actual customer energy data that has been collected has been extrapolated to fill gaps at similar properties in the same asset and to similar assets in the portfolio. Where no actual data is available we have used estimated energy consumption data off Energy Performance Certificates or CIBSE benchmarks. These figures do not take into account actual residents usage patterns and the actual data gathered from Grainger's portfolio suggests our properties are operating more efficiently than predicted. We intend to increase the coverage of properties with actual data over time to enhance the accuracy of our emissions reporting. Grainger has a customer engagement campaign 'Living a Greener Life' which aims to engage our customers on greener living and support them in reducing their environmental impacts. For more information see page 51.

Supply chain emissions

This year for the first time we are reporting supply chain emissions from Purchased goods and services and Capital goods. These emissions are calculated using spend data and CEDA emissions factors for specific spend categories and

DIRECTORS' REPORT (CONTINUED)

do not use supplier specific emissions data. Emissions for both categories have decreased in line with emissions factor decreases as annual inflation rates are factored in. In 2024 we are continuing our supplier engagement programme to obtain supplier specific emissions data and explore opportunities to reduce emissions with key supply chain partners

Capital goods include emissions from build to-rent development projects. 2023 was a record year of development activity with 1,201 new units completed across six schemes and a further 439 scheduled to complete in calendar year 2023. These emissions therefore represent a significant proportion of our emissions for this year. Using spend data to estimate these emissions provides us with an initial baseline. We have commenced a programme to undertake Whole Life Carbon assessments to more accurately measure these emissions and plan to amend the methodology used to calculate emissions from Capital goods in the future to reflect the findings of these assessments. See page 52 for more information on our approach to measuring and reducing embodied carbon from development projects.

Third-party review

EcoAct has reviewed and analysed the data provided by Grainger and has carried out calculations in-line with best practice (see Methodology section) A separate EcoAct team completed verification of the following emissions categories using the ISO 14064-3 standard:

GHG emissions	2023 GHG emissions (tCO_2e)
Scope 1 emissions	767
Scope 2 emissions (location-based)	1,150
Scope 2 emissions (market-based)	170
Total (location-based)	**1,917**
Total (market-based)	**937**
Scope 3 emissions Category 1	7,272
Scope 3 emissions Category 2	62,367
Scope 3 emissions Category 6	161
Scope 3 emissions Category 13	22,232
Total verified Scope 3 emissions	**92,032**

The full verification statement is available on Grainger's website at www.graingerplc.co.uk/responsibility.

A more detailed breakdown of our energy consumption and carbon footprint for our property portfolios and the methodology used is available in our EPRA Sustainability Performance Measures Report, also available on our website

Health and safety

Grainger has a well-developed health and safety management system for the internal and external control of health and safety risks, managed by the Health and Safety Director This includes using online risk management systems for identifying, mitigating and reporting real time health and safety management information. The Health and Safety Committee is responsible for overseeing health and safety management. It consists of members of staff from across the organisation. The Committee continues to monitor legal compliance in health and safety through audit and implementation of improvements, to enable the Group to become 'best in class'. Further oversight is also carried out by the Operations Board. In addition a health and safety report is provided to each meeting of the Board of Directors, and the Health and Safety Director gives a presentation to the Board at least once a year.

Employment of disabled persons

The Company gives full and fair consideration to applications for employment made by disabled persons, having regard to their particular aptitudes and abilities. In the event of an employee becoming disabled, every effort is made to ensure their employment within the Company continues, and that we arrange appropriate training where necessary. It is Company policy that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Employee engagement

The Group places considerable value on the engagement of its employees and has continued its practice of keeping them informed on and involved in business and strategic matters, for example through team meetings, presentations by senior management and regular all-staff conference calls hosted by the Executives The Responsible Business Committee, chaired by Carol Hui, has responsibility for the employee engagement and Voice of the Colleague in the boardroom issues
For more information on our people and the activities of the Responsible Business Committee, see pages 86 and 87.

Independent auditor and disclosure of information to auditor

As far as each Director is aware, there is no relevant audit information of which the Company's auditor is unaware. Each Director has taken the steps they ought to have taken as Directors, to make themselves aware of any relevant audit information, and to establish that the Company's auditor is aware of that information

Political donations

In accordance with the Company's policy, we made no political donations in 2023 (2022 £nil)

Takeover directive

On a change of control, the main bank facility (included in Note 26 to the financial statements) will become repayable should alternative terms for continuing the facilities not be agreed with the lenders within 45 days In addition, the corporate bond (also referred to in Note 26) may become repayable following a change of control. There are no other material matters relating to a change of control of the Company following a takeover bid.

The Directors have confirmed approval of the Directors' report.

By order of the Board.

Adam McGhin
Company Secretary

21 November 2023

Image removed

Financial statements

Image removed

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GRAINGER PLC

1. Our opinion is unmodified

We have audited the financial statements of Grainger plc ("the Company") for the year ended 30 September 2023 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cash Flows, the Parent Company Statement of Financial Position, the Parent Company Statement of Changes in Equity, and the related notes, including the accounting policies on pages 131 to 133 for the Group and pages 170 and 171 for the parent Company financial statements.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 30 September 2023 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the parent Company financial statements have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the audit committee.

We were first appointed as auditor by the Shareholders on 5 February 2015. The period of total uninterrupted engagement is for the nine financial years ended 30 September 2023. We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

Overview		
Materiality:		
Group financial statements as a whole	£34.0m (2022: £32.0m) 0.9% (2022: 0.9%) of total assets	
Coverage	100% (2022: 100%) of Group total assets	
Key audit matters		**vs 2022**
Recurring risks	Valuation of properties	▲
	Recoverability of parent company's investment in subsidiaries	◀▶

2. Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. We summarise below the key audit matters (unchanged from 2022), in decreasing order of audit significance, in arriving at our audit opinion above, together with our key audit procedures to address those matters and, as required for public interest entities, our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

	The risk	Our response
Valuation of properties Investment properties (£2,948.9m; 2022: £2,775.9m) Trading properties at EPRA market value (APM) £734.3m; (2022: £873.0m) Refer to page 83 (Audit Committee Report), pages 133 to 136 (critical accounting estimates and judgements) and pages 146 to 147 and 150 (accounting policies and financial disclosures)	**Subjective valuation:** The valuation approach adopted by the directors varies between portfolios. – For properties let into the private rental market, and affordable housing properties, the valuation is derived by applying a gross initial yield to the estimated rental value of the property. Yield is based on market evidence and is an inherently judgemental input. There is a risk that applying an inappropriate yield could lead to a material difference in the valuation. Where relevant, valuations are reduced to reflect the estimated costs of planned remedial works relating to fire safety. There is a risk that not all works are identified or that cost estimates are insufficient. – For properties under construction which are to be let into the private rental market a consistent valuation methodology is adopted. Additional adjustments are then made for capital expenditure not yet incurred, and development and stabilisation risk. There is an additional risk that these adjustments could be inappropriate and result in a material difference in the valuation. – For reversionary properties, the valuation is determined by estimating a vacant possession ("VP") value and applying a discount to reflect the fact that the property is tenanted. The VP value and the discount applied are estimated with reference to comparable evidence, which in some cases may be limited. This means the valuation is inherently subjective and susceptible to misstatement. – Residential trading property is carried in the statement of financial position at the lower of cost and net realisable value. The Group does, however, in its principal non-GAAP net asset value measures, include disclosure of trading property at market value, because it is an important disclosure of these accounts. The market value is derived using the same valuation methods as set out above for the corresponding property types. This means the valuation is inherently subjective and susceptible to misstatement in disclosure. – For the Tricomm portfolio and shared ownership affordable housing, the valuation is based on a discounted cash flow model produced by an external valuer. There is a risk that the house price inflation ("HPI") and discount rate assumptions could be inappropriate which could lead to a material misstatement in valuation. The effect of these matters is that, as part of our risk assessment, we determined that the valuation of investment properties and the disclosed fair value of trading properties carried at the lower of cost or net realisable value has a high degree of estimation uncertainty, with a potential range of outcomes greater than our materiality for the financial statements as a whole, and possibly many times that amount. The financial statements Note 2 disclose the sensitivity estimated by the Group.	Our procedures in respect of all property types identified included: – **Methodologies:** with the assistance of our own property valuation specialists, we challenged the methodologies used for the specific portfolios with reference to market practice. – **Assessing valuers' credentials:** we assessed the objectivity, professional qualifications, independence and experience of the external valuers engaged by the Group, through research, discussion with them and by reading their valuation reports and terms of engagement letter for fee arrangement and other incentive terms. – **Attendance at Group valuation meetings:** we attended the Group's meetings with their external valuers and challenged the market evidence presented by the valuers with the help of our own property valuation specialists. – **Historical comparisons:** we compared the 2022 year end valuation with the sales price achieved for property sales in the current year. – **Assessing transparency:** we assessed whether the Group's disclosure about the sensitivity of fair value changes in key assumptions reflected the uncertainties inherent in the property valuations. Our additional procedures in respect of private rental sector properties and affordable housing properties included: – **Yield rates:** with the assistance of our own property valuation specialists, we challenged the yield rates applied using our understanding of the nature of the assets and comparing to available market data. – **Fire safety works:** we critically assessed the Group's work to identify required works and compared estimated costs with correspondence relating to inspections and third-party cost reports. Our additional procedures in respect of properties under construction which are to be let into the private rental market, included: – **Test of details:** for a sample of properties, we agreed the adjustments made for capital expenditure not yet incurred to the latest third-party supplier funding assessment. – **Our valuation expertise:** using our property valuation specialists, we critically assessed the adjustments made for development and stabilisation risk with reference to sector practice. Our additional procedures in respect of individual properties included: – **Comparing valuations:** challenged the inputs used in valuations and compared valuations to recent comparable transactions. Our additional procedures in respect of the Tricomm portfolio and the shared ownership affordable housing properties included: – **Benchmarking assumptions:** we compared the HPI assumption included in the discounted cash flow model to market indices and discount rates to market information including gilts and benchmarked risk premiums. We performed the tests above rather than seeking to rely on any of the Group's controls because the nature of the balances are such that we would expect to obtain audit evidence primarily through the detailed procedures described. **Our results** We found the valuation of investment properties and disclosure of EPRA trading property at market value (APM) to be acceptable (2022: acceptable).

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GRAINGER PLC
(CONTINUED)

	The risk	Our response
Recoverability of parent company's investment in subsidiaries (£2,335.9m, 2022: £1,784.6m) Refer to page 170 (accounting policy) and page 171 (financial disclosures)	**Low risk, high value** The carrying amount of the parent Company's investment in subsidiaries represents 96% (2022: 83%) of the parent Company's total assets. Their recoverability is not at a high risk of significant misstatement or subject to significant judgement. However, due to their materiality in the context of the parent Company financial statements, this is considered to be the area that had the greatest effect on our overall parent Company audit.	We performed the tests below rather than seeking to rely on any of the parent Company's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described. Our procedures included: - **Test of details:** we compared the carrying amount of 100% of investments with the relevant subsidiaries' draft balance sheets to identify whether their net assets, which are measured at fair value and being an approximation of their recoverable amount, were in excess of their carrying amount. - **Assessing transparency:** we assessed the adequacy of the parent Company's disclosures in respect of the investment in subsidiaries. **Our results** We found the balance of the Company's investments in subsidiaries to be acceptable (2022: acceptable).

3. Our application of materiality and an overview of the scope of our audit

Materiality for the Group financial statements as a whole was set at £34.0m (2022: £32.0m), determined with a reference to a benchmark of total assets (of which it represents 0.9% (2022: 0.9%)).

Materiality for the parent Company financial statements as a whole was set at £30.0m (2022: £17.0m) determined with a reference to a benchmark of the parent Company's net assets of which it represented 1.9% (2022: 1.3%).

In line with our audit methodology, our procedures on individual account balances and disclosures were performed to a lower threshold, performance materiality, so as to reduce to an acceptable level the risk that individually immaterial misstatements in individual account balances add up to a material amount across the financial statements as a whole. Performance materiality was set at 75% (2022: 75%) of materiality for the financial statements as a whole, which equates to £25.5m (2022: £24.0m) for the Group and £22.5m (2022: £12.75m) for the parent Company. We applied this percentage in our determination of performance materiality because we did not identify any factors indicating an elevated level of risk.

In addition, we applied a materiality of £3.5m (2022: £3.5m) and performance materiality of £2.6m (2022: £2.6m) to specific income statement accounts, namely net rental income, profit on disposal of trading properties, profit on disposal of investment properties, fees and other income, finance costs (2022: gross rental income, profit on disposal of trading properties, administrative expenses, fees and other income, other expenses, income from financial interest in property assets, finance costs, finance income, share of profit of associates and share of profit of joint ventures) for which we believe misstatement of a lesser amount than materiality for the financial statements as a whole could be reasonably expected to influence the Company's members' assessment of the financial performance of the Group.

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £1.7m (2022: £1.6m) in addition to other identified misstatements that warranted reporting on qualitative grounds.

The scope of the audit work performed was predominately substantive as we placed limited reliance upon the Group's internal control over financial reporting.

The Group team performed the audit of the Group as if it were a single aggregated set of financial information. The audit was performed using the materiality levels set out above.

Chart removed

The scope of the audit work performed was predominately substantive as we placed limited reliance upon the Group's internal control over financial reporting.

4. The impact of climate change on our audit

In planning our audit we have considered the potential impacts of climate change on the Group's business and its financial statements. Climate change impacts the Group in a number of ways through its own operations (including potential reputational risk associated with the Group's delivery of its climate related initiatives), through its portfolio of properties and the greater emphasis on climate related narrative and disclosure in the Annual Report. The Group's main potential exposure to climate change in the financial statements is primarily through the carrying value of its properties as the key valuation assumptions and estimates may be impacted by climate risks

As part of our audit we have made enquiries of directors and the Group's Corporate Sustainability team to understand the extent of the potential impact of climate change risk on the Group's financial statements and the Group's preparedness for this We have performed a risk assessment of how the impact of climate change may affect the financial statements and our audit, in particular with respect to the valuation of investment properties and net realisable value and valuation of trading properties. Given that these valuations are largely based on comparable market evidence we assessed that the impact of climate change was not a significant risk for our audit nor does it constitute a key audit matter. We held discussions with our own climate change professionals to challenge our risk assessment.

We have also read the Group's disclosure of climate related information in the front half of the Annual Report as set out on pages 44 to 53, and considered consistency with the financial statements and our audit knowledge. We have not been engaged to provide assurance over the accuracy of these disclosures.

5. Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or the parent Company or to cease their operations, and as they have concluded that the Group's and the parent Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern until at least 31 March 2025 ("the going concern period").

We used our knowledge of the Group, its industry, and the general economic environment to identify the inherent risks to its business model and analysed how those risks might affect the Group and parent Company's financial resources or ability to continue operations over the going concern period. The risks that we considered most likely to adversely affect the Group and parent Company's available financial resources over this period were:

- decline in the property market leading to reduced sales activity
- declining valuations of property assets;
- significant cost inflation;
- reduction in demand in the private rental sector, leading to reduced rental levels, and
- increasing interest rates.

We considered whether these risks could plausibly affect the liquidity or covenant compliance in the going concern period by comparing severe, but plausible downside scenarios that could arise from these risks individually and collectively against the level of available financial resources and covenants thresholds indicated by the Group's financial forecasts.

We also assessed the completeness of the going concern disclosure.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Group's or parent Company's ability to continue as a going concern for the going concern period;
- we have nothing material to add or draw attention to in relation to the directors' statements in both Note 1 to the Group and parent Company financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Group and parent Company's use of that basis for the going concern period, and we found the going concern disclosure in both Note 1 to the Group and parent Company financial statements to be acceptable; and
- the same statements are materially consistent with the financial statements and our audit knowledge.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Group or the parent Company will continue in operation.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GRAINGER PLC
(CONTINUED)

6. Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors and the audit committee, as to the Group's high-level policies and procedures to prevent and detect fraud, including the Group's channel for "whistle blowing", as well as whether they have knowledge of any actual, suspected or alleged fraud;
- Reading Board minutes and attending Group audit committee meetings;
- Considering remuneration incentive schemes and performance targets for directors and management including the adjusted earnings and total property return; and
- Using analytical procedure to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards and taking into account possible pressures to meet profit targets we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition, in particular the risk that disposals of trading property are recorded in the wrong accounting period and the risk that Group management may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates and judgements such as significant assumptions used in the valuation of investment properties, including estimated rental values and market based yields. On this audit we do not believe there is a fraud risk related to revenue recognition, other than to the property sales made close to the year end as these could be recorded in the incorrect period, because of the relative simplicity of revenue streams. We did not identify any additional fraud risks.

We also performed procedures including:

- Identifying journal entries to test using data analytical tools based on risk criteria and comparing the identified entries to supporting documentation. These included those posted to unusual accounts and those posted by senior finance management; and
- Assessing whether the judgements made in making significant accounting estimates are indicative of a potential bias

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, through discussion with the directors and other management (as required by auditing standards), and from inspection of the Group's regulatory and legal correspondence and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations

As the Group is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably

Firstly, the Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: health and safety, data protection laws, anti-bribery, environmental and sustainability regulations, landlord and tenant legislation, fire safety legislation, property laws and building legislations and certain aspects of company legislation recognising the nature of the Group's activities and its legal form.

Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

7. We have nothing to report on the other information in the Annual Report

The directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Strategic report and directors' report

Based solely on our work on the other information:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Directors' remuneration report

In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Disclosures of emerging and principal risks and longer-term viability

We are required to perform procedures to identify whether there is a material inconsistency between the directors' disclosures in respect of emerging and principal risks and the viability statement, and the financial statements and our audit knowledge.

Based on those procedures, we have nothing material to add or draw attention to in relation to:

- the directors' confirmation within the viability statement on page 68 that they have carried out a robust assessment of the emerging and principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity;
- the Principal Risks and Uncertainties disclosures describing these risks and how emerging risks are identified, and explaining how they are being managed and mitigated; and
- the directors' explanation in the viability statement of how they have assessed the prospects of the Group, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We are also required to review the viability statement, set out on page 68 under the Listing Rules. Based on the above procedures, we have concluded that the above disclosures are materially consistent with the financial statements and our audit knowledge.

Our work is limited to assessing these matters in the context of only the knowledge acquired during our financial statements audit. As we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of anything to report on these statements is not a guarantee as to the Group's and parent Company's longer-term viability.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GRAINGER PLC
(CONTINUED)

Corporate governance disclosures

We are required to perform procedures to identify whether there is a material inconsistency between the directors' corporate governance disclosures and the financial statements and our audit knowledge.

Based on those procedures, we have concluded that each of the following is materially consistent with the financial statements and our audit knowledge:

- the directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable, and provides the information necessary for Shareholders to assess the Group's position and performance, business model and strategy;
- the section of the annual report describing the work of the Audit Committee, including the significant issues that the audit committee considered in relation to the financial statements, and how these issues were addressed; and
- the section of the annual report that describes the review of the effectiveness of the Group's risk management and internal control systems.

We are required to review the part of the Corporate Governance Statement relating to the Group's compliance with the provisions of the UK Corporate Governance Code specified by the Listing Rules for our review. We have nothing to report in this respect.

8. We have nothing to report on the other matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

9. Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 112, the directors are responsible for the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The Company is required to include these financial statements in an annual financial report prepared using the single electronic reporting format specified in the TD ESEF Regulation. This auditor's report provides no assurance over whether the annual financial report has been prepared in accordance with that format.

10. The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed

Richard Kelly (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
15 Canada Square, Canary Wharf
London E14 5GL

21 November 2023

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 30 SEPTEMBER

	Notes	2023 £m	2022 £m
Group revenue	5	**267.1**	279.2
Net rental income	6	**96.5**	85.3
Profit on disposal of trading property	7	**54.8**	64.4
Profit on disposal of investment property	8	**3.3**	1.7
Income from financial interest in property assets	20	**4.6**	6.0
Fees and other income	9	**5.0**	4.4
Administrative expenses		**(33.5)**	(31.8)
Other expenses		**(1.2)**	(10.3)
Goodwill impairment		**(0.1)**	–
(Impairment)/reversal of impairment of inventories to net realisable value	22	**(1.0)**	1.5
Operating profit		**128.4**	122.2
Net valuation (losses)/gains on investment property	16	**(68.8)**	129.0
Net valuation gains on investment property reclassifications	2, 16	**–**	81.2
Finance costs	12	**(34.0)**	(34.6)
Finance income	12	**2.2**	1.3
Share of (loss)/profit of associates after tax	18	**(0.1)**	1.2
Share of loss of joint ventures after tax	19	**(0.3)**	(1.7)
Profit before tax	11	**27.4**	298.6
Tax charge	13	**(1.8)**	(69.2)
Profit for the year attributable to the owners of the Company		**25.6**	229.4
Basic earnings per share	15	**3.5p**	31.0p
Diluted earnings per share	15	**3.5p**	30.9p

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 SEPTEMBER

	Notes	2023 £m	2022 £m
Profit for the year	3	**25.6**	229.4
Items that will not be transferred to the consolidated income statement:			
Remeasurement of BPT Limited defined benefit pension scheme	28	**(1.1)**	5.7
Items that may be or are reclassified to the consolidated income statement:			
Changes in fair value of cash flow hedges		**(16.1)**	47.3
Other comprehensive income and expense for the year before tax		**(17.2)**	53.0
Tax relating to components of other comprehensive income:			
Tax relating to items that will not be transferred to the consolidated income statement	13	**0.3**	(1.4)
Tax relating to items that may be or are reclassified to the consolidated income statement	13	**4.0**	(11.9)
Total tax relating to components of other comprehensive income		**4.3**	(13.3)
Other comprehensive income and expense for the year after tax		**(12.9)**	39.7
Total comprehensive income and expense for the year attributable to the owners of the Company		**12.7**	269.1

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER

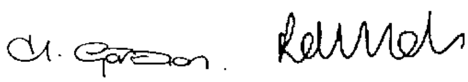
	Notes	2023 £m	2022 £m
ASSETS			
Non-current assets			
Investment property	16	**2,948.9**	2,775.9
Property, plant and equipment	17	**8.6**	4.2
Investment in associates	18	**15.8**	16.7
Investment in joint ventures	19	**75.2**	38.5
Financial interest in property assets	20	**67.0**	69.1
Retirement benefits	28	**9.6**	9.8
Deferred tax assets	13	**3.7**	1.2
Intangible assets	21	**1.0**	0.5
		3,129.8	2,915.9
Current assets			
Inventories – trading property	22	**392.2**	453.8
Trade and other receivables	23	**34.0**	40.5
Derivative financial instruments	27	**45.3**	56.5
Current tax assets		**–**	16.5
Cash and cash equivalents	27	**121.0**	95.9
		592.5	663.2
Total assets		**3,722.3**	3,579.1
LIABILITIES			
Non-current liabilities			
Interest-bearing loans and borrowings	26	**1,533.5**	1,317.6
Trade and other payables	25	**6.9**	2.2
Provisions for other liabilities and charges	24	**1.1**	1.1
Deferred tax liabilities	13	**122.3**	136.9
		1,663.8	1,457.8
Current liabilities			
Interest-bearing loans and borrowings	26	**–**	40.0
Trade and other payables	25	**120.7**	105.9
Provisions for other liabilities and charges	24	**8.6**	8.6
Current tax liabilities		**0.6**	–
		129.9	154.5
Total liabilities		**1,793.7**	1,612.3
NET ASSETS		**1,928.6**	1,966.8
EQUITY			
Issued share capital	29	**37.2**	37.1
Share premium account		**817.8**	817.6
Merger reserve	31	**20.1**	20.1
Capital redemption reserve		**0.3**	0.3
Cash flow hedge reserve	31	**20.0**	32.1
Retained earnings	32	**1,033.2**	1,059.6
TOTAL EQUITY		**1,928.6**	1,966.8

The financial statements on pages 126 to 168 were approved by the Board of Directors on 21 November 2023 and were signed on their behalf by:

Helen Gordon
Director

Rob Hudson
Director

Company registration number: 125575



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Notes	Issued share capital £m	Share premium account £m	Merger reserve £m	Capital redemption reserve £m	Cash flow hedge reserve £m	Retained earnings £m	Total equity £m
Balance as at 1 October 2021		37.1	817.3	20.1	0.3	(3.3)	867.5	1,739.0
Profit for the year	3	–	–	–	–	–	229.4	229.4
Other comprehensive income for the year		–	–	–	–	35.4	4.3	39.7
Total comprehensive income		–	–	–	–	35.4	233.7	269.1
Award of SAYE shares	29	–	0.3	–	–	–	–	0.3
Purchase of own shares	29	–	–	–	–	–	(3.3)	(3.3)
Share-based payments charge	30	–	–	–	–	–	1.7	1.7
Dividends paid	14	–	–	–	–	–	(40.0)	(40.0)
Total transactions with owners recorded directly in equity		–	0.3	–	–	–	(41.6)	(41.3)
Balance as at 30 September 2022		**37.1**	**817.6**	**20.1**	**0.3**	**32.1**	**1,059.6**	**1,966.8**
Profit for the year	**3**	**–**	**–**	–	–	–	**25.6**	**25.6**
Other comprehensive loss for the year		–	–	–	–	**(12.1)**	**(0.8)**	**(12.9)**
Total comprehensive income		–	–	–	–	**(12.1)**	**24.8**	**12.7**
Award of SAYE shares	**29**	**0.1**	**0.2**	–	–	–	–	**0.3**
Purchase of own shares	**29**	–	–	–	–	–	**(7.9)**	**(7.9)**
Share-based payments charge	**30**	–	–	–	–	–	**2.4**	**2.4**
Dividends paid	**14**	–	–	–	–	–	**(45.7)**	**(45.7)**
Total transactions with owners recorded directly in equity		**0.1**	**0.2**	–	–	–	**(51.2)**	**(50.9)**
Balance as at 30 September 2023		**37.2**	**817.8**	**20.1**	**0.3**	**20.0**	**1,033.2**	**1,928.6**

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 SEPTEMBER

	Notes	2023 £m	2022 £m
Cash flow from operating activities			
Profit for the year		**25.6**	229.4
Depreciation and amortisation	11	**1.1**	0.9
Goodwill impairment		**0.1**	–
Net valuation losses/(gains) on investment property	16	**68.8**	(129.0)
Net valuation gains on investment property reclassifications	2, 16	**–**	(81.2)
Net finance costs	12	**31.8**	33.3
Share of loss of associates and joint ventures	18, 19	**0.4**	0.5
Profit on disposal of investment property	8	**(3.3)**	(1.7)
Share-based payments charge	30	**2.4**	1.7
Income from financial interest in property assets	20	**(4.6)**	(6.0)
Tax charge	13	**1.8**	69.2
Cash generated from operating activities before changes in working capital		**124.1**	117.1
Decrease/(increase) in trade and other receivables		**6.5**	(1.9)
Increase in trade and other payables		**37.0**	8.5
Increase in provisions for liabilities and charges		**–**	8.4
Decrease in inventories		**61.6**	24.8
Cash generated from operating activities		**229.2**	156.9
Interest paid		**(46.9)**	(42.0)
Tax received/(paid)		**2.7**	(12.3)
Payments to defined benefit pension scheme	28	**(0.3)**	(0.6)
Net cash inflow from operating activities		**184.7**	102.0
Cash flow from investing activities			
Proceeds from sale of investment property	8	**63.5**	20.9
Proceeds from financial interest in property assets	20	**6.7**	8.6
Dividends received from associates	18	**0.8**	–
Investment in joint ventures	19	**(34.0)**	(6.4)
Loans advanced to joint ventures	19	**(3.0)**	(4.4)
Acquisition of investment property	16	**(302.0)**	(289.2)
Acquisition of property, plant and equipment and intangible assets		**(6.1)**	(3.7)
Net cash outflow from investing activities		**(274.1)**	(274.2)
Cash flow from financing activities			
Award of SAYE shares	29	**0.3**	0.3
Purchase of own shares	29	**(7.9)**	(3.3)
Proceeds from new borrowings		**330.0**	14.2
Payment of loan costs		**(2.3)**	(6.1)
Cash flows relating to new derivatives / settlement of derivatives		**(4.9)**	(13.7)
Repayment of borrowings		**(155.0)**	(0.9)
Dividends paid	14	**(45.7)**	(40.0)
Net cash inflow/(outflow) from financing activities		**114.5**	(49.5)
Net increase/(decrease) in cash and cash equivalents		**25.1**	(221.7)
Cash and cash equivalents at the beginning of the year	27	**95.9**	317.6
Cash and cash equivalents at the end of the year	27	**121.0**	95.9

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting policies

Accounting policies applicable throughout the financial statements are shown below. Accounting policies that are specific to a component of the financial statements have been incorporated in the relevant note.

(a) Basis of preparation

Grainger plc is a company incorporated and domiciled in the UK. It is a public limited liability company listed on the London Stock Exchange. The Group financial statements consolidate those of the Company and its subsidiaries, together referred to as the 'Group', and equity account the Group's interest in joint ventures and associates. The parent company financial statements present information about the Company and not the Group.

The Group financial statements have been prepared under the historical cost convention except for the following assets and liabilities, and corresponding income statement accounts, which are stated at their fair value: investment property; derivative financial instruments; and financial interest in property assets.

The Group financial statements have been prepared and approved by the directors in accordance with UK-adopted international accounting standards (IFRS) and applicable law. The Company has elected to prepare its parent company financial statements in accordance with FRS 101; these are presented on pages 169 to 174.

The Group and Company financial statements are presented in millions of Pounds Sterling (£m) because that is the currency of the principal economic environment in which the Group operates

In preparing the financial statements, management has considered the potential impacts, risks and opportunities of climate change, taking into account the relevant disclosures in the Strategic Report, including those made in accordance with TCFD, and considered the impact of the issues identified to ensure they are appropriately reflected into the financial statements. The impact of climate change and of climate change related changes in markets and regulation are considered in the valuation of investment properties. These issues are also considered when projecting future cashflows of the Group and in sensitivity analysis. Management feel that climate change related issues are appropriately considered in these financial statements.

Going concern

The Directors are required to make an assessment of the Group's ability to continue to trade as a going concern for the foreseeable future. Given market volatility over the past 12 months and the impact on the macro-economic conditions in which the Group is operating, the Directors have placed a particular focus on the appropriateness of adopting the going concern basis in preparing the financial statements for the year ended 30 September 2023.

The financial position of the Group, including details of its financing and capital structure, is set out in the financial review on pages 37 to 42. In making the going concern assessment, the Directors have considered the Group's principal risks (see pages 64 to 67) and their impact on financial performance. The Directors have assessed the future funding commitments of the Group and compared these to the level of committed loan facilities and cash resources over the medium term. In making this assessment, consideration has been given to compliance with borrowing covenants along with the uncertainty inherent in future financial forecasts and, where applicable, severe sensitivities have been applied to the key factors affecting financial performance for the Group.

The going concern assessment is based on forecasts to the end of March 2025, which exceeds the required period of assessment of at least 12 months in order to be aligned to the Group's interim reporting date, and uses the same forecasts considered by the Group for the purposes of the Viability Statement. The assessment considers a severe downside scenario, reflecting the following key assumptions:

- Reducing PRS occupancy to 92% by 31 March 2025
- Contraction in rental levels of 3.75% p.a.
- Reducing property valuations by 17.5% by 31 March 2025, driven by either yield expansion or house price deflation
- 20% development cost inflation
- Operating cost inflation of 20% p.a
- An increase in SONIA rate of 5% from 1 October 2023

The Group's forecasts incorporate the likely impact of climate change and sustainability requirements including costs to deliver our climate related targets. This includes EPC upgrades across the portfolio and investing in energy efficient solutions for central heating systems.

No new financing is assumed in the assessment period, but existing facilities are assumed to remain available. Even in this severe downside scenario, the Group has sufficient cash reserves, with the loan-to-value covenant remaining no higher than 55% (facility maximum covenant ranges between 70% - 75%) and interest cover above 2.94x (facility minimum covenant ranges between 1.35x – 1.75x) for the period to March 2025 to align with reporting periods, which covers the required period of at least 12 months from the date of authorisation of these financial statements.

Based on these considerations, together with available market information and the Directors' experience of the Group's property portfolio and markets, the Directors continue to adopt the going concern basis in preparing the accounts for the year ended 30 September 2023.

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

1. Accounting policies continued

(b) Basis of consolidation

i) **Subsidiaries –** Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date control ceases.

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

ii) Joint ventures and associates – Joint ventures are those entities over whose activities the Group has joint control, established by contractual agreement. Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Where the Group owns less than 50% of the voting rights but acts as property and/or asset manager an assessment is made as to whether or not the Group has de facto control over an investee. This includes a review of the Group's rights relative to those of another investor or investors and the ability the Group has to direct the investees' relevant activities (further details are provided in Note 18 and Note 19).

Investments in joint ventures and associates are accounted for by the equity method of accounting and are initially recognised at cost, and the carrying amount is increased or decreased to recognise the Group's share of the profit or loss after the date of acquisition. The joint venture and associate results for the 12 months to 30 September 2023 and the financial position as at that date have been equity accounted in these financial statements.

The Group's share of its joint ventures' and associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in other comprehensive income. Where the Group's interest has been reduced to £nil, additional losses are provided for, and a liability is recognised, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the joint venture or associate. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment.

Unrealised gains on transactions between the Group and its joint ventures and associates are eliminated to the extent of the Group's interest in joint ventures and associates. The accounting policies of joint ventures and associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

iii) Business combinations – At the time of acquisition, the Group considers whether each acquisition represents the acquisition of a business or the acquisition of an asset. The Group accounts for an acquisition as a business combination where an integrated set of activities are acquired in addition to the property. Consideration is also given to the concentration test permitted under IFRS 3 Business Combinations.

When the acquisition of a subsidiary does not represent a business, it is accounted for as an acquisition of assets and liabilities. The cost of acquisition is allocated to the assets and liabilities acquired based on their fair values, and no goodwill or deferred tax is recognised.

A business combination may also require the recognition of identifiable intangible assets by the Group. An intangible asset is deemed to be identifiable if it is able to be separated or divided from the other assets acquired in the business combination and sold, licensed or exchanged for something else of value, even if the intention to do so is not present on behalf of the Group. Where an intangible asset is not individually separable, it may still meet the separability criterion if it is separable in combination with a related contract, identifiable asset or liability.

Business combinations are accounted for using the acquisition method. The cost of the acquisition is measured as the fair value of the assets given and equity instruments issued. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the date of acquisition. Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets, including intangible assets, of the acquired entity at the date of acquisition. If the cost of the acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement. Costs attributable to an acquisition of a business are expensed in the consolidated income statement under the heading 'Other expenses'.

Goodwill on acquisition of subsidiaries is included within this caption in the consolidated statement of financial position. Goodwill on acquisition of joint ventures and associates is included in investments in joint ventures and associates.

Goodwill is allocated to cash generating units for the purpose of impairment testing and is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

(c) Adoption of new and revised International Financial Reporting Standards and interpretations

The following new standards and amendments to standards were issued in the year and have no material impact on the financial statements:

- Reference to the conceptual framework (amendments to IFRS 3);
- Onerous contracts - cost of fulfilling a contract (amendments to IAS 37);
- Annual improvements to IFRS Standards 2018-2020;
- Property, Plant and Equipment: proceeds before intended use (amendments to IAS 16)

The following new standards and amendments to standards have been issued but are not yet effective for the Group and have not been early adopted

- Classification of liabilities as current or non-current (amendments to IAS 1)
- IFRS 17 insurance contracts
- Accounting policies, changes in accounting estimates and errors: definition (amendments to IAS 8)
- Presentation of financial statements and making materiality judgements (amendments to IAS 1, IFRS Practice Statement 2)
- Deferred tax related to assets and liabilities arising from a single transaction (amendments to IAS 12)

The application of these new standards and amendments are not expected to have a material impact on the Group's financial statements

2. Critical accounting estimates and judgements

The Group's significant accounting policies are stated in the relevant notes to the Group financial statements. The preparation of financial statements requires management to exercise judgement in applying the Group's accounting policies. It also requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. Estimates and assumptions, including those associated with climate change, are reviewed on an on-going basis with revisions recognised in the period in which the estimates are revised and in any future periods affected.

The areas involving a higher degree of judgement or complexity are set out below.

Estimates

1) Valuation of property assets

Residential trading property is carried in the statement of financial position at the lower of cost and net realisable value and investment property is carried at fair value. The Group does, however, in its principal non-GAAP net asset value measures, EPRA NRV, EPRA NTA and EPRA NDV, include trading property at market value. The adjustment in the value of trading property is the difference between the statutory book value and its market value as set out in Note 4. For investment property, market value is the same as fair value. In respect of trading properties, market valuation is the key assumption in determining the net realisable value of those properties.

The results and the basis of each valuation and their impact on both the statutory financial statements and market value for the Group's non-GAAP net asset value measures are set out below. This includes details of key estimates and assumptions, along with which an independent professional adviser has been utilised to determine valuations for each asset category. In all cases, forming these valuations inherently includes elements of judgement and subjectivity with regard to the selection of unobservable inputs.

The methodology for the year end valuation process for capitalised yield-based valuations is consistent with the prior year. This is considered to be the most appropriate method for valuing assets that are likely to be held as long-term investments and represents 71% of our property assets relating primarily to PRS blocks, including new build PRS assets.

The remaining 29% of property assets are valued based on current house prices, reflecting the prevailing market conditions as at the reporting date.

Where appropriate, sustainability and environmental matters are an integral part of the valuation approach. 'Sustainability' is taken to mean the consideration of such matters as environment and climate change, health and well-being and corporate responsibility that can or do impact on the valuation of an asset. In a valuation context, sustainability encompasses a wide range of physical, social, environmental, and economic factors that can affect value. The range of issues includes key environmental risks, such as flooding, energy efficiency and climate, as well as matters of design, configuration, accessibility, legislation, management, and fiscal consideration.

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

2. Critical accounting estimates and judgements continued

	Notes	PRS £m	Reversionary £m	Other £m	Total £m	Valuer	% of properties for which external valuer provides valuation
Trading property		10.4	348.9	32.9	392.2		
Investment property		2,928.9	20.0	–	2,948.9		
Financial asset (CHARM)		–	67.0	–	67.0		
Total statutory book value		2,939.3	435.9	32.9	3,408.1		
Trading property							
Residential	(i)	9.6	673.3	–	682.9	Allsop LLP	84%
Developments	(ii)	–	–	51.4	51.4	CBRE Limited	98%
Total trading property		9.6	673.3	51.4	734.3		
Investment property							
Residential	(i)	329.5	20.0	–	349.5	Allsop LLP/ CBRE Limited	100%
Developments	(ii)	74.7	–	–	74.7	CBRE Limited	100%
New build PRS	(iii)	2,203.3	–	–	2,203.3	CBRE Limited	100%
Affordable housing	(iv)	178.7	–	–	178.7	Allsop LLP	100%
Tricomm Housing	(v)	142.7	–	–	142.7	Allsop LLP	100%
Total investment property		2,928.9	20.0	–	2,948.9		
Financial asset (CHARM)	(vi)	–	67.0	–	67.0	Allsop LLP	100%
Total assets at market value		2,938.5	760.3	51.4	3,750.2		
Statutory book value		2,939.3	435.9	32.9	3,408.1		
Market value adjustment[2]		(0.8)	324.4	18.5	342.1		
Total assets at market value		2,938.5	760.3	51.4	3,750.2		
Net revaluation loss recognised in the income statement for wholly-owned properties		(68.8)					
Net revaluation loss relating to joint ventures and associates	(vii)	(0.5)					
Net revaluation loss recognised in the year[3]		(69.3)					

1 Allsop LLP provide vacant possession values used by the Directors to value the financial asset in accordance with the accounting policy set out in Note 2[illegible].
2 The market value adjustment is the difference between the statutory book value and the market value of the Group's properties. Refer to Note 4 for market value net asset measures.
3 Includes the Group's share of joint ventures and associates revaluation loss after tax.

i) Residential

Trading property: The Group's own in-house qualified team provided a vacant possession value for the majority of the Group's residential properties as at 30 September 2023. A structured sample of these in-house valuations was reviewed by Allsop LLP, an external independent valuer. Valuing the large number of properties in this portfolio is a significant task. For this reason it is undertaken on an external inspection basis only. Invariably, when the in-house valuations are compared with those of the external valuer, around 78% (2022: 79%) of the valuations are within a small acceptable tolerance. Where the difference is more significant, this is discussed with the valuer to determine the reasons for the difference. Typically, the reasons vary, but it could be, for example, that further or better information about internal condition is available or that respective valuers have placed a different interpretation on comparable sales. Once such reasons have been identified, the Group and the valuer agree the appropriate valuation that should be adopted as the Directors' Valuation.

Allsop LLP has provided the Directors with the following opinion on the Directors' Valuation:

Property held in the residential portfolio was valued as at 30 September 2023 by Grainger's in-house surveyors. These valuations were reviewed and approved by the Directors. Allsop LLP has undertaken a comprehensive review of the Directors' Valuation and they are satisfied with the process by which the in-house valuations were conducted. Allsop LLP valued approximately 84% (2022: 74%) of the residential portfolio, independently of the Group. Based on the results of that review, Allsop LLP has concluded that they have a high degree of confidence in those Directors' Valuations.

Allsop LLP also recommends a discount to apply to the vacant possession valuations to establish the market value of each property, with the discounts ranging from 5.0% to 17.5% (2022: 15.0% to 17.0%). The discounts are established by tenancy type and region and are based on evidence gathered by Allsop LLP from recent transactional market evidence. The Directors have adopted the discounts recommended by Allsop LLP.

Investment property: PRS blocks are valued on an income capitalisation basis, having regard to prevailing market conditions and evidence, and with close regard to the relativity between the market value and the aggregate vacant possession value. The valuation has been prepared in accordance with RICS Professional Valuation Standards where fair value is the same as market value. CBRE Limited valued 73% (2022: 69%) of residential investment property, with Allsop LLP valuing 17% (2022: 19%) on this basis. Gross yields adopted in the valuations broadly range from 4.9% to 8.5% (2022: 4.5% to 7.2%).

The remaining 10% (2022: 12%) of residential property is valued in line with the trading property approach, with older properties and groups of individual units valued by Allsop LLP on a discount to vacant possession value basis on the assumption these assets would be sold individually. Residential reversionary assets discounts adopted ranged from 10% to 17.5% (2022: 15.0% to 17.0%), whilst the residential PRS discount to vacant possession value was 5% (2022: 5%).

ii) Developments

Trading property: Development trading property of £51.4m (2022: £70.1m) relates to the Group's legacy strategic land assets. The current market value has been assessed by CBRE Limited. Their valuation, representing 98% (2022: 96%) of total value, is on the basis of fair value as defined in the RICS Professional Valuation Standards where fair value is the same as market value. The remaining 2% (2022: 4%) of the portfolio is a Directors' Valuation.

Investment property: CBRE Limited assessed the fair value of the direct development schemes in the course of construction. These schemes are valued on an income capitalisation basis, with gross yields adopted in the valuations ranging from 4.7% to 6.1% (2022: 4.9% to 6.4%). As the assets are under construction, the valuation takes into account estimated costs required to reach completion.

iii) New build PRS – CBRE Limited assessed the fair value of the completed assets and assets in the course of construction.

The principal approach was to value the properties on an income capitalisation basis, having regard to prevailing market conditions and evidence, and with close regard to the relativity between the market value and the aggregate vacant possession value.

Where applicable, estimated costs required to complete construction have been taken into account. The valuation has been prepared in accordance with RICS Professional Valuation Standards where fair value is the same as market value.

The primary unobservable input within the valuation relate to assumptions for gross yields adopted with respect to comparable market evidence, with gross yields ranging from 5.3% to 6.3% (2022: 4.6% to 5.7%) across the portfolio. For assets under construction, a discount to market value to reflect stabilisation and construction risk in the remaining build process is applied on an asset by asset basis depending on stage of completion.

iv) Affordable housing – For properties let on affordable rents, social rents or sold on shared ownership leases, Allsop LLP valued the assets on the basis of Existing Use Value for Social Housing ('EUV-SH') in line with RICS Global Standards. Properties subject to intermediate rents have been valued at market value as these assets are not restricted as social housing in perpetuity.

The primary unobservable input within the valuation relates to assumptions for the income capitalisation rate of net rent, which is determined on a tenure basis. The gross yields adopted for 30 September 2023 valuations range from 4.4% to 5.7% (2022: 4.2% to 4.6%).

v) Tricomm Housing – Allsop LLP provided an investment valuation as at 30 September 2023 for the property assets owned by the Group and let under a long-term lease arrangement with the Secretary of State for Defence under a PFI project agreement. The investment valuation is in accordance with RICS Professional Valuation Standards, and is based on a discounted cash flow model.

Significant unobservable inputs within the valuation relate to assumptions for house price inflation and the discount rates to apply to the cash flows. The assumptions adopted for house price inflation are: -5.0% in 2024, nil in 2025, and 2.75%-4.0% thereafter. The discount rates applied to the cash flows range between 5.0% (2022: 4.4%) non-core MOD income and 6.5% (2022: 6.5%) on reversion.

vi) Financial asset (CHARM) – The valuation methodology adopted for the CHARM asset is set out in Note 20 to the financial statements. CHARM is valued using projected cash flows and applies key unobservable inputs being house price inflation and discount rates.

As such it is classified as a level 3 asset (Note 27). The assumptions used to value the asset reflect an increase in house prices of between nil and 7.19% p.a. (2022: 0.17% and 7.79%). A discount rate of 4.5% (2022: 4.5%) has been applied to the interest income and a rate of 6.5% (2022: 6.5%) has been applied to the projected proceeds from sales of the underlying properties, reflecting the risk profile of each individual income stream.

Credit risk arises from the credit exposure relating to cash receipts from the financial instrument. All of the cash receipts are payable by the Church Commissioners, a counterparty considered to be low risk as they have no history of past due or impaired amounts and there are no past due amounts outstanding at the year end.

vii) Joint ventures and associates – For Vesta LP, CBRE Limited valued the asset on the same basis described for completed new build PRS assets. Property assets in other joint ventures including the Connected Living London Group and Lewisham Grainger Holdings LLP are held at cost reflecting the current early stages of each development.

The Directors consider the valuations provided by external valuers to be representative of fair value.

As required by RICS Professional Valuation Standards, the external valuers in the UK mentioned above have made full disclosure of the extent and duration of their work for, and fees earned by them from, the Group, which in all cases are less than 5% of their total fees.

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

2. Critical accounting estimates and judgements continued

2) Net realisable value of trading property

The Group's residential trading properties are carried in the consolidated statement of financial position at the lower of cost and net realisable value.

Net realisable value is the net sales proceeds which the Group expects on sale of a property with vacant possession, with vacant possession being determined in line with the approach detailed in Note 2.1i). The Group has a net realisable value provision of £4.8m as at 30 September 2023 (2022: £4.1m). The provision includes specific properties which are vacant and properties expected to become vacant in the future on the assumption of an average annual vacancy rate of c.8% over the next ten years. Consideration has been given in respect of house price inflation, being the primary assumption relevant to this calculation, with the provision for properties expected to become vacant in future assuming nil inflation over the next ten years.

Sensitivity analysis

Changes to key assumptions could impact both the income and financial position of the Group. The impact of changes to key assumptions is considered for the valuation of property assets and the net realisable value of trading property using a range of reasonable changes and have been applied to asset categories where sensitivities could have the largest impact. The Group measures its market risk exposure internally by running various sensitivity analyses. The Directors consider that the range of potential movements set out in the table below represent reasonably possible changes.

The table below sets out potential impacts that may result from changes to certain assumptions¹:

		Increase		Decrease	
		Income statement impact £m	**Statement of financial position impact £m**	Income statement impact £m	Statement of financial position impact £m
Residential (trading property)	10.0% change in house prices (NRV provision impact)	**2.5**	**2.5**	(3.5)	(3.5)
Residential (investment property)	0.50% change in gross yield	**(48.6)**	**(48.6)**	57.6	57.6
Residential (investment property)	5.0% change in net rental income	**31.4**	**31.4**	(31.4)	(31.4)
Developments (investment property)	0.50% change in gross yield	**(27.8)**	**(27.8)**	33.6	33.6
Developments (investment property)	5.0% change in net rental income	**16.3**	**16.3**	(16.3)	(16.3)
New build PRS	0.50% change in gross yield	**(153.0)**	**(153.0)**	180.7	180.7
New build PRS	5.0% change in net rental income	**100.9**	**100.9**	(100.9)	(100.9)
Affordable housing	0.50% change in gross yield	**(17.1)**	**(17.1)**	21.3	21.3
Affordable housing	5.0% change in net rental income	**8.7**	**8.7**	(8.7)	(8.7)
Joint ventures and associates	0.50% change in gross yield	**(1.2)**	**(1.2)**	1.5	1.5
Joint ventures and associates	5.0% change in net rental income	**0.8**	**0.8**	(0.8)	(0.8)
Tricomm Housing	10.0% change in house prices	**5.7**	**5.7**	(5.7)	(5.7)
Tricomm Housing	0.75% change in discount rate	**(0.3)**	**(0.3)**	0.3	0.3
Financial asset (CHARM)	10.0% change in house prices	**5.7**	**5.7**	(5.7)	(5.7)
Financial asset (CHARM)	0.75% change in discount rate	**(3.2)**	**(3.2)**	3.4	3.4

1. Joint ventures and associates includes the Group's share of property revaluation movement.

Judgements

1) Distinction between investment and trading property

The Group considers the intention at the outset when each property is acquired in order to classify the property as either an investment or a trading property. Where the intention is either to trade the property or where the property is held for immediate sale upon receiving vacant possession within the ordinary course of business, the property is classified as trading property. Where the intention is to hold the property for its long-term rental yield and/or capital appreciation, the property is classified as an investment property. The classification of the Group's properties is a significant judgement which directly impacts the statutory net asset position, as trading properties are held at the lower of cost and net realisable value, whilst investment properties are held at fair value, with gains or losses taken through the consolidated income statement.

The Group continually reviews properties for changes in use that could subsequently change the classification of properties. A change in use occurs if property meets, or ceases to meet, the definition of investment property which is more than a change in management's intentions. The fact patterns associated with changes in the way in which properties are utilised are considered on a case by case basis and to the extent that a change in use is established, property reclassifications are reflected appropriately.

There have been no property reclassifications in the year. During the prior year, four property portfolios were reclassified from trading property to investment property where changes in use had been identified. Trading property with a cost of £116.5m and market value of £197.7m was reclassified as investment property, resulting in valuations gains of £81.2m on reclassification which were recognised in the consolidated income statement. In addition, £20.3m contingent tax on trading property was reclassified as deferred tax on investment property in our EPRA NAV metrics which increased EPRA NTA by 3p per share.

3. Analysis of profit before tax

The table below details adjusted earnings, which is one of Grainger's key performance indicators. The metric is utilised as a key measure to aid understanding of the performance of the continuing business and excludes valuation movements and other adjustments, that are one-off in nature, which do not form part of the normal on-going revenue or costs of the business and, either individually or in aggregate, are material to the reported Group results.

£m	2023 Statutory	2023 Valuation	2023 Other adjustments	2023 Adjusted earnings	2022 Statutory	2022 Valuation	2022 Other adjustments	2022 Adjusted earnings
Group revenue	**267.1**	**–**	**–**	**267.1**	279.2	–	–	279.2
Net rental income	**96.5**	**–**	**–**	**96.5**	86.3	–	–	86.3
Profit on disposal of trading property	**54.8**	**(0.3)**	**–**	**54.5**	64.4	(0.8)	–	63.6
Profit on disposal of investment property	**3.3**	**–**	**–**	**3.3**	1.7	–	–	1.7
Income from financial interest in property assets	**4.6**	**0.1**	**–**	**4.7**	6.0	(1.2)	–	4.8
Fees and other income	**5.0**	**–**	**–**	**5.0**	4.4	–	–	4.4
Administrative expenses	**(33.5)**	**–**	**–**	**(33.5)**	(31.8)	–	–	(31.8)
Other expenses	**(1.2)**	**–**	**–**	**(1.2)**	(10.3)	–	9.5	(0.8)
Goodwill impairment	**(0.1)**	**0.1**	**–**	**–**	–	–	–	–
(Impairment)/reversal of impairment of inventories to net realisable value	**(1.0)**	**1.0**	**–**	**–**	1.5	(1.5)	–	–
Operating profit	**128.4**	**0.9**	**–**	**129.3**	122.2	(3.5)	9.5	128.2
Net valuation (losses)/gains on investment property	**(68.8)**	**68.8**	**–**	**–**	129.0	(129.0)	–	–
Net valuation gains on investment property reclassifications	**–**	**–**	**–**	**–**	81.2	(81.2)	–	–
Change in fair value of derivatives	**–**	**–**	**–**	**–**	–	–	–	–
Finance costs	**(34.0)**	**–**	**–**	**(34.0)**	(34.6)	–	–	(34.6)
Finance income	**2.2**	**–**	**–**	**2.2**	1.3	–	–	1.3
Share of (loss)/profit of associates after tax	**(0.1)**	**0.5**	**–**	**0.4**	1.2	(0.9)	–	0.3
Share of loss of joint ventures after tax	**(0.3)**	**–**	**–**	**(0.3)**	(1.7)	–	–	(1.7)
Profit before tax	**27.4**	**70.2**	**–**	**97.6**	298.6	(214.6)	9.5	93.5
Tax charge	**(1.8)**				(69.2)			
Profit for the year attributable to the owners of the Company	**25.6**				229.4			
Basic adjusted earnings per share				**10.3p**				10.2p
Diluted adjusted earnings per share				**10.3p**				10.2p

Profit before tax in the adjusted columns above of £97.6m (2022: £93.5m) is the adjusted earnings of the Group. Adjusted earnings per share assumes tax of £21.5m (2022: £17.8m) in line with the standard rate of UK Corporation Tax 22.0% (2022: 19.0%), divided by the weighted average number of shares as shown in Note 15. The Group's IFRS statutory earnings per share is also detailed in Note 15. The classification of amounts as other adjustments is a judgement made by management and is a matter referred to the Audit Committee for approval prior to issuing the financial statements. There have been no other adjustments in the current year. In 2022, the £9.5m cost within other adjustments comprises fire safety expenses including remedial work in respect of legacy assets. These transactions do not form part of the Group's ongoing activities and, as such, have been classified as other adjustments.

NOTES TO THE FINANCIAL STATEMENTS
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4. Segmental information

(a) Accounting policy

IFRS 8, Operating Segments requires operating segments to be identified based upon the Group's internal reporting to the Chief Operating Decision Maker ('CODM') so that the CODM can make decisions about resources to be allocated to segments and assess their performance. The Group's CODM are the Executive Directors.

The two significant segments for the Group are PRS and Reversionary. The PRS segment includes stabilised PRS assets as well as PRS under construction due to direct development and forward funding arrangements, both for wholly-owned assets and the Group's interest in joint ventures and associates as relevant. The Reversionary segment includes regulated tenancies, as well as CHARM. The Other segment includes legacy strategic land and development arrangements, along with administrative expenses.

The key operating performance measure of profit or loss used by the CODM is adjusted earnings before tax, valuation and other adjustments.

The principal net asset value ('NAV') measure reviewed by the CODM is EPRA NTA which is considered to become the most relevant, and therefore the primary NAV measure for the Group. EPRA NTA reflects the tax that will crystallise in relation to the trading portfolio, whilst excluding the volatility of mark to market movements on fixed rate debt and derivatives which are unlikely to be realised. Other NAV measures include EPRA NRV and EPRA NDV which we report alongside EPRA NTA. A full description and reconciliation of these measures is included in the EPRA performance measure section on pages 175 to 178 of this report.

Information relating to the Group's operating segments is set out in the tables below. The tables distinguish between adjusted earnings on a segmental basis. Valuation and other adjustments are not reviewed by the CODM on a segmental basis and should be read in conjunction with Note 3.

2023 Income statement

£m	PRS	Reversionary	Other	Total
Group revenue	**121.5**	**123.9**	**21.7**	**267.1**
Segment revenue – external				
Net rental income	82.2	13.4	0.9	96.5
Profit on disposal of trading property	(0.5)	54.2	0.8	54.5
Profit on disposal of investment property	3.3	–	–	3.3
Income from financial interest in property assets	–	4.7	–	4.7
Fees and other income	4.6	–	0.4	5.0
Administrative expenses	–	–	(33.5)	(33.5)
Other expenses	(1.2)	–	–	(1.2)
Net finance costs	(24.9)	(6.3)	(0.6)	(31.8)
Share of trading profit of joint ventures and associates after tax	0.1	–	–	0.1
Adjusted earnings	**63.6**	**66.0**	**(32.0)**	**97.6**
Valuation movements	(70.1)	(0.1)	–	(70.2)
Other adjustments	–	–	–	–
Profit before tax	**(6.5)**	**65.9**	**(32.0)**	**27.4**

A reconciliation from adjusted earnings to EPRA earnings is detailed in the table below, with further details shown in the EPRA performance measures on page 175.

£m	PRS	Reversionary	Other	Total
Adjusted earnings	63.6	66.0	(32.0)	97.6
Profit on disposal of trading property	0.5	(54.2)	(0.8)	(54.5)
Profit on disposal of investment property	(3.3)	–	–	(3.3)
EPRA earnings	**60.8**	**11.8**	**(32.8)**	**39.8**

2022 Income statement

£m	PRS	Reversionary	Other	Total
Group revenue	103.2	150.5	25.5	279.2
Segment revenue – external				
Net rental income	70.8	15.2	0.3	86.3
Profit on disposal of trading property	(0.1)	61.7	2.0	63.6
Profit on disposal of investment property	1.6	0.1	–	1.7
Income from financial interest in property assets	–	4.8	–	4.8
Fees and other income	3.8	–	0.6	4.4
Administrative expenses	–	–	(31.8)	(31.8)
Other expenses	(0.8)	–	–	(0.8)
Net finance costs	(24.7)	(7.8)	(0.8)	(33.3)
Share of trading loss of joint ventures and associates after tax	(1.4)	–	–	(1.4)
Adjusted earnings	49.2	74.0	(29.7)	93.5
Valuation movements	133.6	(0.2)	–	133.4
Valuation movements on property reclassifications	81.2	–	–	81.2
Other adjustments	–	–	(9.5)	(9.5)
Profit before tax	264.0	73.8	(39.2)	298.6

A reconciliation from adjusted earnings to EPRA earnings is detailed in the table below:

£m	PRS	Reversionary	Other	Total
Adjusted earnings	49.2	74.0	(29.7)	93.5
Profit on disposal of trading property	0.1	(61.7)	(2.0)	(63.6)
Profit on disposal of investment property	(1.6)	(0.1)	–	(1.7)
EPRA earnings	47.7	12.2	(31.7)	28.2

Segmental assets

The net asset value measures reviewed by the CODM are EPRA NRV, EPRA NTA and EPRA NDV. These measures reflect the current market value of trading property owned by the Group rather than the lower of historical cost and net realisable value. These measures are considered to be a more relevant reflection of the value of the assets owned by the Group.

EPRA NRV is the Group's statutory net assets plus the adjustment required to increase the value of trading stock from its statutory accounts value of the lower of cost and net realisable value to its market value. In addition, the statutory statement of financial position amounts for both deferred tax on property revaluations and derivative financial instruments net of deferred tax, including those in joint ventures and associates, are added back to statutory net assets. Finally, the market value of Grainger plc shares owned by the Group are added back to statutory net assets.

EPRA NTA assumes that entities buy and sell assets, thereby crystallising certain levels of deferred tax liabilities. For the Group, deferred tax in relation to revaluations of its trading portfolio is taken into account by applying the expected rate of tax to the adjustment that increases the value of trading stock from its statutory accounts value of the lower of cost and net realisable value, to its market value. The measure also excludes all intangible assets on the statutory balance sheet, including goodwill.

EPRA NDV reverses some of the adjustments made between statutory net assets, EPRA NRV and EPRA NTA. All of the adjustments for the value of derivative financial instruments net of deferred tax, including those in joint ventures and associates, are reversed. The adjustment for the deferred tax on investment property revaluations excluded from EPRA NRV and EPRA NTA are also reversed, as is the intangible adjustment in respect of EPRA NTA, except for goodwill which remains excluded. In addition, adjustments are made to net assets to reflect the fair value, net of deferred tax, of the Group's fixed rate debt.

Total Accounting Return (NTA basis) of -1.8% is calculated from the closing EPRA NTA of 305p per share plus the dividend of 6.65p per share for the year, divided by the opening EPRA NTA of 317p per share.

These measures are set out below by segment along with a reconciliation to the summarised statutory statement of financial position. Additional EPRA disclosures are included on pages 175 to 178.

2023 Segment net assets

£m	PRS	Reversionary	Other	Total	Pence per share
Total segment net assets (statutory)	**1,729.8**	**151.7**	**47.1**	**1,928.6**	**260**
Total segment net assets (EPRA NRV)	**1,839.3**	**476.9**	**43.1**	**2,359.3**	**318**
Total segment net assets (EPRA NTA)	**1,835.1**	**395.0**	**37.4**	**2,267.5**	**305**
Total segment net assets (EPRA NDV)	**1,729.2**	**395.0**	**208.7**	**2,332.9**	**314**

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(CONTINUED)

4. Segmental information continued

2023 Reconciliation of EPRA NAV measures

£m	Statutory balance sheet	Adjustments to market value, deferred tax and derivatives	EPRA NRV balance sheet	Adjustments to deferred and contingent tax and intangibles	EPRA NTA balance sheet	Adjustments to derivatives, fixed rate debt and intangibles	EPRA NDV balance sheet
Investment property	**2,948.9**	**–**	**2,948.9**	**–**	**2,948.9**	**–**	**2,948.9**
Investment in joint ventures and associates	**91.0**	**–**	**91.0**	**–**	**91.0**	**–**	**91.0**
Financial interest in property assets	**67.0**	**–**	**67.0**	**–**	**67.0**	**–**	**67.0**
Inventories – trading property	**392.2**	**342.1**	**734.3**	**–**	**734.3**	**–**	**734.3**
Cash and cash equivalents	**121.0**	**–**	**121.0**	**–**	**121.0**	**–**	**121.0**
Other assets	**102.2**	**(33.7)**	**68.5**	**(1.0)**	**67.5**	**45.9**	**113.4**
Total assets	**3,722.3**	**308.4**	**4,030.7**	**(1.0)**	**4,029.7**	**45.9**	**4,075.6**
Interest-bearing loans and borrowings	**(1,533.5)**	**–**	**(1,533.5)**	**–**	**(1,533.5)**	**182.1**	**(1,351.4)**
Deferred and contingent tax liabilities	**(122.3)**	**122.3**	**–**	**(90.8)**	**(90.8)**	**(162.6)**	**(253.4)**
Other liabilities	**(137.9)**	**–**	**(137.9)**	**–**	**(137.9)**	**–**	**(137.9)**
Total liabilities	**(1,793.7)**	**122.3**	**(1,671.4)**	**(90.8)**	**(1,762.2)**	**19.5**	**(1,742.7)**
Net assets	**1,928.6**	**430.7**	**2,359.3**	**(91.8)**	**2,267.5**	**65.4**	**2,332.9**

In order to provide further analysis, the following table sets out EPRA NTA by segment:

£m	PRS	Reversionary	Other	Total
EPRA NTA				
Investment property	**2,928.9**	**20.0**	**–**	**2,948.9**
Investment in joint ventures and associates	**72.8**	**–**	**18.2**	**91.0**
Financial interest in property assets	**–**	**67.0**	**–**	**67.0**
Inventories – trading property	**9.6**	**673.3**	**51.4**	**734.3**
Cash and cash equivalents	**94.8**	**23.9**	**2.3**	**121.0**
Other assets	**13.4**	**8.4**	**45.7**	**67.5**
Total segment EPRA NTA assets	**3,119.5**	**792.6**	**117.6**	**4,029.7**
Interest-bearing loans and borrowings	**(1,201.3)**	**(303.1)**	**(29.1)**	**(1,533.5)**
Deferred and contingent tax liabilities	**(4.2)**	**(81.9)**	**(4.7)**	**(90.8)**
Other liabilities	**(78.9)**	**(12.6)**	**(46.4)**	**(137.9)**
Total segment EPRA NTA liabilities	**(1,284.4)**	**(397.6)**	**(80.2)**	**(1,762.2)**
Net EPRA NTA assets	**1,835.1**	**395.0**	**37.4**	**2,267.5**

2022 Segment net assets

£m	PRS	Reversionary	Other	Total	Pence per share
Total segment net assets (statutory)	1,711.7	190.7	64.4	1,966.8	265p
Total segment net assets (EPRA NRV)	1,833.0	584.9	52.7	2,470.6	333p
Total segment net assets (EPRA NTA)	1,827.6	485.6	45.8	2,359.0	317p
Total segment net assets (EPRA NDV)	1,712.0	485.6	285.4	2,483.0	334p

2022 Reconciliation of EPRA NAV measures

£m	Statutory balance sheet	Adjustments to market value, deferred tax and derivatives	EPRA NRV balance sheet	Adjustments to deferred and contingent tax and intangibles	EPRA NTA balance sheet	Adjustments to derivatives, fixed rate debt and intangibles	EPRA NDV balance sheet
Investment property	2,775.9	–	2,775.9	–	2,775.9	–	2,775.9
Investment in joint ventures and associates	55.2	–	55.2	–	55.2	–	55.2
Financial interest in property assets	69.1		69.1	–	69.1	–	69.1
Inventories – trading property	453.8	419.2	873.0		873.0	–	873.0
Cash and cash equivalents	95.9	–	95.9	–	95.9	–	95.9
Other assets	129.2	(51.4)	77.8	(0.5)	77.3	56.5	133.8
Total assets	3,579.1	367.8	3,946.9	(0.5)	3,946.4	56.5	4,002.9
Interest-bearing loans and borrowings	(1,357.6)	–	(1,357.6)	–	(1,357.6)	263.0	(1,094.6)
Deferred and contingent tax liabilities	(136.9)	136.0	(0.9)	(111.1)	(112.0)	(195.5)	(307.5)
Other liabilities	(117.8)	–	(117.8)	–	(117.8)	–	(117.8)
Total liabilities	(1,612.3)	136.0	(1,476.3)	(111.1)	(1,587.4)	67.5	(1,519.9)
Net assets	1,966.8	503.8	2,470.6	(111.6)	2,359.0	124.0	2,483.0

In order to provide further analysis, the following table sets out restated EPRA NTA by segment:

£m	PRS	Reversionary	Other	Total
EPRA NTA				
Investment property	2,753.5	22.4	–	2,775.9
Investment in joint ventures and associates	37.1	–	18.1	55.2
Financial interest in property assets	–	69.1	–	69.1
Inventories – trading property	13.9	789.0	70.1	873.0
Cash and cash equivalents	71.2	22.4	2.3	95.9
Other assets	16.2	11.7	49.4	77.3
Total segment EPRA NTA assets	2,891.9	914.6	139.9	3,946.4
Interest-bearing loans and borrowings	(1,008.6)	(316.7)	(32.3)	(1,357.6)
Deferred and contingent tax liabilities	(5.4)	(99.3)	(7.3)	(112.0)
Other liabilities	(50.3)	(13.0)	(54.5)	(117.8)
Total segment EPRA NTA liabilities	(1,064.3)	(429.0)	(94.1)	(1,587.4)
Net EPRA NTA assets	1,827.6	485.6	45.8	2,359.0

5. Group revenue

Accounting policy

Revenue is measured at the fair value of the consideration received or receivable and is stated net of sales taxes and value added taxes. Gross proceeds from disposal of trading property and fees and other income are recognised in accordance with IFRS 15. Gross rental income is recognised in accordance with IFRS 16.

	2023 £m	2022 £m
Gross rental income (Note 6)	**133.7**	121.4
Gross proceeds from disposal of trading property (Note 7)	**128.4**	153.4
Fees and other income (Note 9)	**5.0**	4.4
	267.1	279.2

6. Net rental income

Accounting policy

Gross rental income is recognised on a straight-line basis over the lease term on an accruals basis. Directly attributable property management, repair and maintenance costs are deducted from gross rental income to determine net rental income.

	2023 £m	2022 £m
Gross rental income	**133.7**	121.4
Property operating expenses	**(37.2)**	(35.1)
	96.5	86.3

Net rental income presented above reflects the total net rental income across all assets of the Group. Within this, gross rental income of £129.8m and property operating expenses of £33.1m generating gross to net performance of 25.5% related to the Group's stabilised assets (2022: gross rental income of £116.1m and property operating expenses of £29.6m generating stabilised gross to net performance of 25.5%).

7. Profit on disposal of trading property

Accounting policy

Property is regarded as sold when performance obligations have been met and control has been transferred to the buyer. This is generally deemed to be on legal completion as at this point the buyer is able to determine the use of the property and has rights to any cash inflows or outflows in respect of the property. Profits or losses are calculated by reference to the carrying value of the property sold. For a development property, this is assessed through the use of a gross margin for the site as a whole or such other basis that provides an appropriate allocation of costs.

Contract revenue and expenses are recognised over time in the consolidated income statement, with performance obligations satisfied continually across the period in which the asset is created or enhanced. Control of the asset is transferred to the customer across the construction period rather than upon completion of the asset in its entirety as, per the contract in place, this is when the customer gains their residual interest. The input method used to measure progress is the value of work completed, denoted by the costs incurred to date, and revenue is subsequently recognised at the margin stipulated in the contract. This is also when the Group become entitled to the consideration arising from the contract. Revenues are recognised as contract assets in trade and other receivables (Note 23) and are recovered on completion of the development.

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(CONTINUED)

7. Profit on disposal of trading property continued

	2023 £m	2022 £m
Gross proceeds from disposal of trading property	**128.4**	153.4
Selling costs	**(2.8)**	(4.0)
Net proceeds from disposal of trading property	**125.6**	149.4
Carrying value of trading property sold (Note 22)	**(70.8)**	(85.0)
	54.8	64.4

Nil contract revenue has been recognised in the period (2022: nil).

8. Profit on disposal of investment property

Accounting policy

Investment property is regarded as sold when the recipient obtains control of the property, which is generally deemed to be on legal completion. Profits or losses are calculated by reference to the carrying value of the property sold.

	2023 £m	2022 £m
Gross proceeds from disposal of investment property	**65.3**	21.3
Selling costs	**(1.8)**	(0.4)
Net proceeds from disposal of investment property	**63.5**	20.9
Carrying value of investment property sold (Note 15)	**(60.2)**	(19.2)
	3.3	1.7

9. Fees and other income

	2023 £m	2022 £m
Property and asset management fee income	**3.2**	2.7
Other sundry income	**1.8**	1.7
	5.0	4.4

Included within other sundry income in the current year is £1.6m (2022: £1.1m) liquidated and ascertained damages ('LADs') recorded to compensate the Group for lost rental income resulting from the delayed completion of construction contracts.

10. Employees

	2023 £m	2022 £m
Wages and salaries	**23.3**	20.9
Social security costs	**2.4**	2.4
Other pension costs - defined contribution scheme (Note 28)	**1.5**	1.4
Share-based payments (Note 30)	**2.4**	1.7
	29.6	26.4

The average monthly number of Group employees during the year (including Executive Directors) was:

	2023 Number	2022 Number
Operations	**235**	212
Shared services	**107**	102
Group	**15**	14
	357	328

Details of Directors' remuneration, including pension costs, share options and interests in the LTIP, are provided in the audited section of the Remuneration Committee report on pages 93 to 111.

Information about benefits of Directors

The following amounts are disclosed in accordance with Schedule 5 of the Large and Medium-Sized Companies and Groups (Accounts and Reports) Regulations 2008.

	2023 £'000	2022 £'000
Aggregate Directors' remuneration	**2,818**	2,723
Aggregate amount of gains on exercise of share options	**5**	8
Aggregate amount of money or assets received or receivable under scheme interests	**1,084**	571
	3,907	3,302

None of the Directors (2022: none) were members of the Group defined benefit scheme or the defined contribution scheme

Key management compensation

	2023 £m	2022 £m
Short-term employee benefits	**7.8**	7.0
Post-employment benefits	**0.5**	0.5
Share-based payments	**2.1**	1.5
	10.4	9.0

Key management figures shown above include Executive and Non-Executive Directors and all internal Directors of specific functions.

11. Profit before tax

	2023 £m	2022 £m
Profit before tax is stated after charging:		
Depreciation of property, plant and equipment	**1.1**	0.9
Bad debt expense	**0.9**	1.7
Operating lease payments	**0.2**	0.2
Auditor's remuneration (see below)	**0.6**	0.5

The remuneration paid to KPMG LLP, the Group's auditor, is disclosed below

Auditor's remuneration

	2023 £'000	2022 £'000
Services as auditor to the Company	**323**	229
Services as auditor to Group subsidiaries	**223**	257
Group audit fees	**546**	486
Audit related assurance services	**58**	40
Non-audit fees	**58**	40
Total fees	**604**	526

The relevant proportion of amounts paid to the auditor for the audit of the financial statements of joint ventures is £20,500 (2022: £18,000).

12. Finance costs and income

	2023 £m	2022 £m
Finance costs		
Bank loans and mortgages	**17.3**	12.1
Non-bank financial institution	**8.4**	8.4
Corporate bond	**22.6**	22.6
Interest capitalised under IAS 23	**(17.5)**	(12.0)
Other finance costs	**3.2**	3.5
	34.0	34.6
Finance income		
Interest receivable from joint ventures (Note 34)	**(0.9)**	(0.7)
Other interest receivable	**(1.3)**	(0.6)
	(2.2)	(1.3)
Net finance costs	**31.8**	33.3

The weighted average interest rate applicable to capitalised interest is 3.88% (2022: 3.69%)

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13. Tax

Accounting policy

The taxation charge for the year represents the sum of the tax currently payable and deferred tax. The charge is recognised in the income statement and statement of comprehensive income according to the accounting treatment of the related transaction.

Current tax payable or receivable is based on the taxable income for the period and any adjustment in respect of prior periods and is calculated using tax rates that have been enacted or substantively enacted at the end of the reporting period.

Tax payable upon the realisation of revaluation gains recognised in prior periods is recorded as a current tax charge with a release of the associated deferred tax.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted at the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred income tax assets are recognised only to the extent that it is probable that taxable profit will give rise to a future tax liability against which the deferred tax assets can be recovered.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same tax authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

The tax charge for the year of £1.8m (2022: £69.2m) recognised in the consolidated income statement comprises:

	2023 £m	2022 £m
Current tax		
Corporation tax on profit	**18.9**	17.8
Adjustments relating to prior years	**(4.3)**	(5.2)
	14.6	12.6
Deferred tax		
Origination and reversal of temporary differences	**(14.2)**	51.7
Adjustments relating to prior years	**1.4**	4.9
	(12.8)	56.6
Total tax charge for the year	**1.8**	69.2

The 2023 current tax adjustments relating to prior years reflect adjustments which have been included in submitted tax returns and represent movements between deferred and current tax in relation to investment properties and capital allowances.

The Group works in an open and transparent manner and maintains a regular dialogue with HM Revenue and Customs. This approach is consistent with the "low risk" rating we have been awarded by HM Revenue and Customs and to which the Group is committed.

The Group's results for this year are taxed at an effective rate of 22.0% (2022: 19.0%).

The tax charge for the year is lower (2022: higher) than the charge for the year derived by applying the standard rate of 22.0% (2022: 19.0%) to the profit before tax. The differences are explained below.

	2023 £m	2022 £m
Profit before tax	**27.4**	298.6
Income tax at a rate of 22.0% (2022: 19.0%)	**6.0**	56.7
Expenses not deductible for tax purposes	**0.3**	0.2
Share of joint ventures and associates after tax	**0.1**	0.1
Effect of future tax rates over current tax rates	**(1.7)**	12.4
Adjustment in respect of prior periods	**(2.9)**	(0.2)
Amounts recognised in the income statement	**1.8**	69.2

In addition to the above, a deferred tax credit of £4.3m (2022: charge of £13.3m) was recognised within other comprehensive income comprising:

	2023 £m	2022 £m
Remeasurement of BPT Limited defined benefit pension scheme	**(0.3)**	1.4
Fair value movement in cash flow hedges	**(4.0)**	11.9
Amounts recognised in other comprehensive income	**(4.3)**	13.3

Deferred tax balances comprise temporary differences attributable to:

	2023 £m	2022 £m
Deferred tax assets		
Short-term temporary differences	**3.7**	1.2
	3.7	1.2
Deferred tax liabilities		
Trading property uplift to fair value on business combinations	**(5.2)**	(6.3)
Investment property revaluation	**(95.2)**	(108.9)
Short-term temporary differences	**(13.2)**	(8.6)
Fair value movement in financial interest in property assets	**(1.1)**	(1.2)
Actuarial gain on BPT Limited defined benefit pension scheme	**(0.9)**	(1.2)
Fair value movement in derivative financial instruments	**(6.7)**	(10.7)
	(122.3)	(136.9)
Total deferred tax	**(118.6)**	(135.7)

Deferred tax has been calculated at a rate of 25.0% (2022: 25.0%) in line with the enacted main rate of corporation tax applicable from 1 April 2023.

In addition to the tax amounts shown above, contingent tax based on EPRA market value measures, being tax on the difference between the carrying value of trading properties in the statement of financial position and their market value, has not been recognised by the Group. This contingent tax amounts to £85.5m, calculated at 25.0% (2022: £104.8m, calculated at 25.0%), and will be realised as the properties are sold.

It is not possible for the Group to identify the timing of movements in deferred tax between those expected within one year and those expected in a period greater than one year. This is because movements in the main balances, both assets and liabilities, will be determined by factors outside the control of the Group, namely the vacation date of properties and interest yield curve movements. However, given the long-term nature of our property ownership, we anticipate that the balance will predominantly be crystallised in a period greater than one year.

14. Dividends

Accounting policy

Dividends are recognised through equity when approved by the Company's Shareholders or on payment, whichever is earlier.

Dividends paid in the year are shown below:

	2023 £m	2022 £m
Ordinary dividends on equity shares		
Final dividend for the year ended 30 September 2021 – 3.32p per share	–	24.6
Interim dividend for the year ended 30 September 2022 – 2.08p per share	–	15.4
Final dividend for the year ended 30 September 2022 – 3.89p per share	**28.8**	–
Interim dividend for the year ended 30 September 2023 – 2.28p per share	**16.9**	–
	45.7	40.0

Subject to approval at the AGM, the final dividend of 4.37p per share (gross) amounting to £32.2m will be paid on 14 February 2024 to Shareholders on the register at the close of business on 29 December 2023. Shareholders will again be offered the option to participate in a dividend reinvestment plan and the last day for election is 24 January 2024. An interim dividend of 2.28p per share amounting to a total of £16.9m was paid to Shareholders on 3 July 2023.

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15. Earnings per share

Accounting policy

Basic

Basic earnings per share is calculated by dividing the profit or loss attributable to the owners of the Company by the weighted average number of ordinary shares in issue during the year, excluding ordinary shares purchased by the Group and held both in Trust and as treasury shares to meet its obligations under the Long-Term Incentive Plan ('LTIP') and Deferred Bonus Plan ('DBP') on which the dividends are being waived.

Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of shares in issue by the dilutive effect of ordinary shares that the Company may potentially issue relating to its share option schemes and contingent share awards under the LTIP and DBP, based upon the number of shares that would be issued if 30 September 2023 was the end of the contingency period. Where the effect of the above adjustments is antidilutive, they are excluded from the calculation of diluted earnings per share.

	30 September 2023			30 September 2022		
	Profit for the year £m	**Weighted average number of shares (millions)**	**Earnings per share (pence)**	Profit for the year £m	Weighted average number of shares (millions)	Earnings per share (pence)
Basic earnings per share						
Profit attributable to equity holders	**25.6**	**739.9**	**3.5**	229.4	740.5	31.0
Effect of potentially dilutive securities						
Share options and contingent shares	**–**	**2.5**	**–**	–	2.6	(0.1)
Diluted earnings per share						
Profit attributable to equity holders	**25.6**	**742.4**	**3.5**	229.4	743.1	30.9

16. Investment property

Accounting policy

Property that is held for long-term rental yields or for capital appreciation, or both, and that is not occupied by the companies in the consolidated Group, is classified as investment property.

Investment property is measured initially at its cost, including related transaction costs.

After initial recognition, investment property is carried at fair value. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specified asset. If this information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. Investment property falls within Level 3 of the fair value hierarchy as defined by IFRS 13. Further details are given in Note 27.

Subsequent expenditure is included in the carrying amount of the property when it is probable that the future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to the consolidated income statement during the financial period in which they are incurred.

Gains or losses arising from changes in the fair value of the Group's investment properties are included in the consolidated income statement of the period in which they arise.

When the Group begins to redevelop an existing trading property for continued future use as an investment property, the property is transferred to investment property and held as a non-current asset. The property is remeasured to fair value as at the date of the transfer with any gain or loss being taken to the income statement.

Where specific investment properties are expected to sell within the next 12 months their fair value is shown under assets classified as held-for-sale within current assets. Any loss on the reclassification of these assets from investment properties to assets held-for-sale is charged to the consolidated income statement of the period in which this occurs.

	2023 £m	2022 £m
Opening balance	**2,775.9**	2,179.2
Acquisitions	**9.8**	14.4
Capital expenditure – completed assets	**20.4**	9.2
Capital expenditure – assets under construction	**271.8**	265.6
Total additions	**302.0**	289.2
Transfer from inventories (Note 2, page 135)	**–**	116.5
Disposals (Note 8)	**(60.2)**	(19.2)
Net valuation (losses)/gains on investment properties	**(68.8)**	129.0
Net valuation gains on investment property reclassifications (Note 2, page 135)	**–**	81.2
Closing balance	**2,948.9**	2,775.9

Information relating to the basis of valuation of investment property, the use of external independent valuers, and the judgements and assumptions adopted by management is set out in Note 2 'Critical accounting estimates and judgements'. The valuation of investment property takes into account the prevailing market conditions as at the reporting date, including sustainability and climate related considerations associated with the properties.

The historical cost of the Group's investment property as at 30 September 2023 is £2,549.1m (2022: £2,315.0m).

Direct property repair and maintenance costs arising from investment property that generated rental income during the year were £5.3m (2022: £4.4m).

17. Property, plant and equipment

Accounting policy

Property, plant and equipment are stated at cost less residual value and depreciation and comprise office leases, fixtures, fittings and equipment. Depreciation is charged to the income statement on a straight-line basis over the estimated useful life ranging from 3–5 years, with office leases depreciated over the life of the lease.

18. Investment in associates

	2023 £m	2022 £m
Opening balance	**16.7**	15.5
Share of (loss) / profit for the year	**(0.1)**	1.2
Dividends paid in the year	**(0.8)**	–
Closing balance	**15.8**	16.7

The closing balance comprises share of net assets of £1.2m (2022: £2.1m) and net loans due from associates of £14.6m (2022: £14.6m). At the balance sheet date, there is no expectation of any material credit losses on loans due.

As at 30 September 2023, the Group's interest in active associates was as follows

	% of ordinary share capital held	Country of incorporation	Accounting period end
Vesta LP	20.0	UK	30 September

In relation to the Group's investment in associates, the aggregated assets, liabilities, revenues and profit or loss of associates is shown below:

2023 Summarised income statement

£m	**Vesta LP**
Net rental income and other income	**2.3**
Administration and other expenses	**(0.5)**
Operating profit	**1.8**
Revaluation loss on investment property	**(2.5)**
Loss before tax	**(0.7)**
Tax	**–**
Loss after tax	**(0.7)**

2023 Summarised statement of financial position

£m	**Vesta LP**
Investment property	**77.0**
Current assets	**3.0**
Total assets	**80.0**
Current liabilities	**(1.2)**
Non-current liabilities	**(72.5)**
Total liabilities	**(73.7)**
Net assets	**6.3**

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18. Investment in associates continued

2022 Summarised income statement

£m	Vesta LP
Net rental income and other income	2.2
Administration and other expenses	(0.5)
Operating profit	1.7
Revaluation gains on investment property	4.4
Profit before tax	6.1
Tax	–
Profit after tax	6.1

2022 Summarised statement of financial position

£m	Vesta LP
Investment property	79.5
Current assets	5.7
Total assets	85.2
Current liabilities	(1.7)
Non-current liabilities	(72.6)
Total liabilities	(74.3)
Net assets	10.9

19. Investment in joint ventures

	2023 £m	2022 £m
Opening balance	**38.5**	29.4
Share of loss for the year	**(0.3)**	(1.7)
Further investment[1]	**34.0**	6.4
Loans advanced to joint ventures	**3.0**	4.4
Closing balance	**75.2**	38.5

1 Grainger invested £[illegible]m into Connected Living London (BTR) Limited in the year (2022: £6.4m).

The closing balance comprises share of net assets of £46.9m (2022: £13.2m) and net loans due from joint ventures of £28.3m (2022: £25.3m). At the balance sheet date, there is no expectation of any material credit losses on loans due.

At 30 September 2023, the Group's interest in active joint ventures was as follows:

	% of ordinary share capital held	Country of incorporation	Accounting period end
Connected Living London (BTR) Limited	51	UK	30 September
Curzon Park Limited	50	UK	31 March
Lewisham Grainger Holdings LLP	50	UK	30 September

In relation to the Group's investment in joint ventures, the aggregated assets, liabilities, revenues and profit or loss are shown below.

2023 Summarised income statement

£m	Connected Living London (BTR) Limited	Curzon Park Limited	Lewisham Grainger Holdings LLP	Total
Administration and other expenses	(0.4)	(0.1)	(0.1)	(0.6)
Loss before tax	(0.4)	(0.1)	(0.1)	(0.6)
Tax	–	–	–	–
Loss after tax	(0.4)	(0.1)	(0.1)	(0.6)

2023 Summarised statement of financial position

	Connected Living London (BTR) Limited	Curzon Park Limited	Lewisham Grainger Holdings LLP	Total
Investment property	88.5	–	10.2	98.7
Current assets	6.8	36.6	–	43.4
Total assets	95.3	36.6	10.2	142.1
Current liabilities	(2.8)	(36.6)	(10.5)	(49.9)
Net assets	92.5	–	(0.3)	92.2

2022 Summarised income statement

£m	Connected Living London (BTR) Limited	Curzon Park Limited	Lewisham Grainger Holdings LLP	Total
Administration and other expenses	(3.3)	–	–	(3.3)
Loss before tax	(3.3)	–	–	(3.3)
Tax	–	–	–	–
Loss after tax	(3.3)	–	–	(3.3)

2022 Summarised statement of financial position

Investment property	25.6	–	7.0	32.6
Current assets	5.3	36.7	–	42.0
Total assets	30.9	36.7	7.0	74.6
Current liabilities	(4.7)	(36.7)	(7.2)	(48.6)
Net assets	26.2	–	(0.2)	26.0

20. Financial interest in property assets ('CHARM' portfolio)

Accounting policy

The CHARM portfolio is a financial interest in equity mortgages held by the Church of England Pensions Board as mortgagee.

It is accounted for under IFRS 9 and is measured at fair value through profit and loss.

It is initially recognised at fair value and subsequently carried at fair value. Subsequent to initial recognition, the net change in value recorded is as follows: i) cash received from the instrument in the year is deducted from the carrying value of the assets; and ii) the carrying value of the assets is revised to the net present value of the updated projected cash flows arising from the instrument using the effective interest rate applicable at acquisition. The change in value arising from ii) above is recorded through the consolidated income statement and is shown on the line 'Income from financial interest in property assets'.

	2023 £m	2022 £m
Opening balance	**69.1**	71.7
Cash received from the instrument	**(6.7)**	(8.6)
Amounts taken to income statement	**4.6**	6.0
Closing balance	**67.0**	69.1

The CHARM portfolio is considered to be a Level 3 financial asset as defined by IFRS 13. The key assumptions used to value the asset are set out within Note 2 'Critical accounting estimates and judgements', and the financial asset is included within the fair value hierarchy within Note 27.

21. Intangible assets

Accounting policy

Intangible assets comprise computer software and goodwill.

Costs incurred in relation to computer software that the Group has exclusive right of use to are capitalised and amortised on a straight-line basis over the estimated useful lives of the assets from the date they are available for use. The effective life is assessed in accordance with the period that the Group expects benefits from its investment in technology to be consumed. Amortisation is charged to the consolidated income statement.

Costs incurred in relation to computer software that the Group does not have exclusive right of use to, including its Software as a Service ('SaaS') arrangements, are not accounted for as intangible assets. Configuration and customisation costs incurred prior to receiving services are prepaid and expensed to the Consolidated Income Statement once the service is in use. All other expenditure in relation to non-exclusive SaaS is expensed to the Consolidated Income Statement as incurred.

Goodwill is tested for impairment based on a value in use calculation at each reporting date.

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22. Inventories – trading property

Accounting policy

Tenanted residential properties held-for-sale in the normal course of business within the PRS and Reversionary segments are shown in the financial statements as a current asset at the lower of cost and net realisable value. Cost includes legal and surveying charges and introducer fees incurred during acquisition together with improvement costs.

Legacy land and development property held within the Other segment of the business are shown in the financial statements at the lower of cost and net realisable value.

Cost represents the acquisition price including legal and other professional costs associated with the acquisition together with subsequent development costs net of amounts transferred to costs of sale.

Net realisable value is the expected sales proceeds that the Group expects on sale of a property or current market value net of associated selling costs.

	2023 £m	2022 £m
Opening balance	**453.8**	595.2
Additions	**10.2**	58.6
Transfer to investment property (Note 2, page 136)	**–**	(116.5)
Disposals (Note 7)	**(70.8)**	(85.0)
(Impairment)/reversal of impairment of inventories to net realisable value	**(1.0)**	1.5
Closing balance	**392.2**	453.8

The closing balance above reflects the lower of historical cost and net realisable value of inventory owned by the Group rather than the current market value. Market value is considered to be a more relevant reflection of the value of inventory owned by the Group. The valuation of trading property in our EPRA NAV metrics take into account the prevailing market conditions as at the reporting date, including sustainability and climate related considerations associated with the properties.

The segmental allocation of PRS, Reversionary and Development inventory, as well as additional information including their market value is detailed in Note 4.

Information relating to the judgements and assumptions adopted by management in relation to inventories is set out in Note 2 'Critical accounting estimates and judgements'. It is not possible for the Group to identify which properties will be sold within the next 12 months. The size of the Group's property portfolio does result in a relatively predictable vacancy rate. However, it is not possible to predict in advance the specific properties that will become vacant. As the Group expects to realise trading property in its ordinary operating cycle, it is shown as a current asset in the consolidated statement of financial position.

Amounts relating to inventories that have been recognised as an expense in the consolidated income statement are as follows:

	2023 £m	2022 £m
Carrying value of trading property sold (Note 7)	**70.8**	85.0
Impairment/(reversal of impairment) of inventories to net realisable value	**1.0**	(1.5)

23. Trade and other receivables

Accounting policy

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment in trade receivables is established when there is an expectation of cash shortfalls over the expected life of the amounts due. The movement in the provision is recognised in the consolidated income statement.

	2023 £m	2022 £m
Rent and other tenant receivables	3.0	4.7
Deduct: Provision for impairment	(1.5)	(1.5)
Rent and other tenant receivables – net	1.5	3.2
Contract assets	–	1.9
Restricted deposits	10.2	14.3
Other receivables	17.9	17.1
Prepayments	4.4	4.0
Closing balance	34.0	40.5

The Group's assessment of expected credit losses involves estimation given its forward-looking nature. This is not considered to be an area of significant judgement or estimation due to the balance of gross rent and other tenant receivables of £3.0m (2022: £4.7m). Assumptions used in the forward-looking assessment are continually reviewed to take into account likely rent deferrals.

At the balance sheet date, there is no expectation of any material credit losses on contract assets.

Restricted deposits arise from contracts with third parties that place restrictions on use of funds and cannot be accessed on demand. These deposits are held in connection with facility arrangements and are released by the lender on a quarterly basis once covenant compliance has been met.

The fair values of trade and other receivables are considered to be equal to their carrying amounts. The credit quality of financial assets that are neither past due nor impaired is discussed in Note 27 'Financial risk management and derivative financial instruments'.

24. Provisions for other liabilities and charges

Accounting policy

Provisions are recognised when: i) the Group has a present obligation as a result of a past event; ii) it is probable that an outflow of resources will be required to settle the obligation; and iii) a reliable estimate can be made of the amount of the obligation.

	2023 £m	2022 £m
Current provisions for other liabilities and charges		
Opening balance	8.6	0.2
Additions	0.3	8.7
Utilisation	(0.3)	(0.3)
	8.6	8.6
Non-current provisions for other liabilities and charges		
Opening balance	1.1	1.1
	1.1	1.1
Total provisions for other liabilities and charges	9.7	9.7

Within current provisions, £8.6m (2022: £8.6m) has been provided for potential fire safety remediation costs relating to a small number of legacy properties that Grainger historically had an involvement in developing and may require fire safety related remediation works. Where appropriate, the Group is seeking recoveries from contractors and insurers which may reduce the overall liability over time.

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25. Trade and other payables

Accounting policy

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. Refer to Note 35 for accounting policy in relation to lease liabilities

	2023 £m	2022 £m
Current liabilities		
Deposits received	**10.7**	10.1
Trade payables	**15.9**	22.8
Lease liabilities (Note 35)	**0.2**	0.8
Tax and social security costs	**3.0**	0.7
Accruals	**81.9**	63.8
Deferred income	**9.0**	7.7
	120.7	105.9
Non-current liabilities		
Lease liabilities (Note 35)	**6.9**	2.2
	6.9	2.2
Total trade and other payables	**127.6**	108.1

Within accruals, £60.2m comprises accrued expenditure in respect of ongoing construction activities (2022: £43.0m).

26. Interest-bearing loans and borrowings

Accounting policy

Borrowings are initially recognised at the fair value of consideration received, net of transaction costs incurred Borrowings are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the consolidated statement of financial position date.

	2023 £m	2022 £m
Current liabilities		
Bank loans – Pounds Sterling	–	40.0
	–	40.0
Non-current liabilities		
Bank loans – Pounds Sterling	**490.1**	275.2
Bank loans – Euros	**0.9**	0.9
Non-bank financial institution	**347.3**	347.2
Corporate bonds	**695.2**	694.3
	1,533.5	1,317.6
Closing balance	**1,533.5**	1,357.6

(a) Bank loans

Sterling bank loans include variable rate loans bearing interest at rates between 1.5% and 1.8% above SONIA and Euro bank loans include variable rate loans bearing interest at a rate of 1.6% above EURIBOR. Gross bank loans of £459.2m are due to mature in the year ended 30 September 2028, with a further £40.0m maturing in the year ended 30 September 2029.

The weighted average variable interest rate on bank loans as at 30 September 2023 was 6.8% (2022. 3.4%). Bank loans are secured by fixed and floating charges over specific property and other assets of the Group

Unamortised costs in relation to bank loans of £8 2m (2022: £8.1m) will be amortised over the life of the loans to which they relate

During the year the Group exercised options to extend the maturity dates on certain bank loans by one year The extension of maturity dates has been deemed to be a non-substantial modification

(b) Non bank financial institution

£350.0m is funded by fixed rates loans from Rothesay Life PLC across three tranches: £75.0m maturing July 2026, £75.0m maturing October 2027 and £200.0m maturing July 2029.

The weighted average interest rate on non-bank loans as at 30 September 2023 was 2.4% (2022: 2.4%). Unamortised costs in relation to these fixed rate loans of £2.7m (2022: £2.8m) will be amortised over the life of the loans to which they relate.

(c) Corporate bonds

In 2018, the Group issued a ten-year £350.0m corporate bond at 3.375% due April 2028. In 2020, the Group issued a ten-year £350.0m corporate bond at 3.0% due July 2030.

As at 30 September 2023 unamortised costs in relation to the corporate bonds stood at £2.9m (2022: £3.5m), and the outstanding discount was £1.9m (2022: £2.2m).

(d) Other loans and borrowings information

The above analyses of loans and borrowings are net of unamortised loan issue costs and the discount on issuance of the corporate bonds. As at 30 September 2023, unamortised costs totalled £13.8m (2022: £14.4m) and the outstanding discount was £1.9m (2022: £2.2m).

In accordance with IAS 7 Statement of Cash Flows, the Group is required to detail any changes in liabilities that arise from financing activities throughout the year. These changes are detailed below

	2023				2022			
			Derivatives used for hedging the liabilities from financing activities				Derivatives used for hedging the liabilities from financing activities	
£m	Loans and borrowings	Interest payable	Assets	Liabilities	Loans and borrowings	Interest payable	Assets	Liabilities
Opening balance	**1,357.6**	**9.0**	**56.5**	–	1,347.5	8.8	–	4.5
Changes from financing cash flows								
Proceeds from loans and borrowings	**330.0**	–	–	–	14.2	–	–	–
Repayment of borrowings	**(155.0)**	–	–	–	(0.9)	–	–	–
Transaction costs related to loans, borrowings and derivatives	**(2.3)**	–	**4.9**	–	(6.1)	–	13.7	–
Total changes from financing cash flows	**172.7**	–	**4.9**	–	7.2	–	13.7	4.5
Other changes								
Gross interest accrued	–	**47.2**	–	–	–	42.2	–	–
Gross interest paid	–	**(46.9)**	–	–	–	(42.0)	–	–
Amortisation of borrowing costs net of premiums	**3.2**	–	–	–	2.9	–	–	–
Changes in fair value of derivatives through hedging reserve	–	–	**(16.1)**	–	–	–	42.8	(4.5)
Total other changes	**3.2**	**0.3**	**(16.1)**	–	2.9	0.2	42.8	(4.5)
Closing balance	**1,533.5**	**9.3**	**45.3**	–	1,357.6	9.0	56.5	–

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

27. Financial risk management and derivative financial instruments

Accounting policy

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less. Demand deposits that cannot be accessed and have restrictions on use arising from contracts with third parties are reflected in trade and other receivables.

Derivative financial instruments

The Group uses derivative instruments to help manage its interest rate risk. In accordance with its treasury policy, the Group does not hold or issue derivatives for trading purposes. Derivatives are classified as current assets and current liabilities.

The derivatives are recognised initially at fair value. Subsequently, the gain or loss on re-measurement to fair value is recognised immediately in the consolidated income statement, unless the derivatives qualify for cash flow hedge accounting, and have been designated as such, in which case any gain or loss is taken to equity in a cash flow hedge reserve via other comprehensive income.

In order to qualify for hedge accounting, the Group is required to document in advance the relationship between the item being hedged and the hedging instrument. The Group is also required to demonstrate that the hedge will be highly effective on an on-going basis. This effectiveness testing is re-performed at each period end to ensure that the hedge remains highly effective.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time is immediately transferred to the consolidated income statement.

Fair value estimation

The fair values of interest rate derivatives are based on a discounted cash flow model using market information.

Derecognition of financial assets and liabilities

Derecognition is the point at which the Group removes an asset or liability from its consolidated statement of financial position. The Group's policy is to derecognise financial assets only when the contractual right to the cash flows from the financial asset expires. The Group also derecognises financial assets that it transfers to another party provided that the transfer of the asset also transfers the right to receive cash flows from the financial asset. When the transfer does not result in the Group transferring the right to receive cash flows from the financial asset but it does result in the Group assuming a corresponding obligation to pay cash flows to another recipient, the financial asset is derecognised.

The Group derecognises financial liabilities only when its obligation is discharged, is cancelled or expires.

Financial assets classified as fair value through profit and loss (previously available-for-sale) are the financial interest in property assets.

Derivative financial instruments not in hedge accounting relationships are classified as fair value through profit and loss.

Categories of financial instruments

A summary of the classifications of the financial assets and liabilities held by the Group is set out in the following table:

£m	Loans and receivables/ cash and cash equivalents	Assets at fair value through profit and loss	Derivatives used for hedging	Other financial assets	Total book value	Fair value adjustment	Fair value
	2023						
Non-current assets							
Financial interest in property assets	–	67.0	–	–	67.0	–	67.0
Current assets							
Trade and other receivables excluding prepayments	29.6	–	–	–	29.6	–	29.6
Cash and cash equivalents	121.0	–	–	–	121.0	–	121.0
Derivative financial instruments	–	–	45.3	–	45.3	–	45.3
Total financial assets	**150.6**	**67.0**	**45.3**	**–**	**262.9**	**–**	**262.9**

£m	Loans and receivables/ cash and cash equivalents	Liabilities at fair value through profit and loss	Derivatives used for hedging	Other financial liabilities at amortised cost	Total book value	Fair value adjustment	Fair value
Non-current liabilities							
Trade and other payables	–	–	–	6.9	6.9	–	6.9
Interest-bearing loans and borrowings	–	–	–	1,533.5	1,533.5	(182.1)	1,351.4
Current liabilities							
Trade and other payables	–	–	–	120.7	120.7	–	120.7
Total financial liabilities	**–**	**–**	**–**	**1,661.1**	**1,661.1**	**(182.1)**	**1,479.0**
Net financial assets/(liabilities)	**150.6**	**67.0**	**45.3**	**(1,661.1)**	**(1,398.2)**	**182.1**	**(1,216.1)**

£m	2022 Loans and receivables/cash and cash equivalents	Assets at fair value through profit and loss	Derivatives used for hedging	Other financial assets	Total book value	Fair value adjustment	Fair value
Non-current assets							
Financial interest in property assets	–	69.1	–	–	69.1	–	69.1
Current assets							
Trade and other receivables excluding prepayments	36.5	–	–	–	36.5	–	36.5
Cash and cash equivalents	95.9	–	–	–	95.9	–	95.9
Derivative financial instruments	–	–	56.5	–	56.5	–	56.5
Total financial assets	132.4	69.1	56.5	–	258.0	–	258.0

£m	Loans and receivables/cash and cash equivalents	Liabilities at fair value through profit and loss	Derivatives used for hedging	Other financial liabilities at amortised cost	Total book value	Fair value adjustment	Fair value
Non-current liabilities							
Trade and other payables	–	–	–	2.2	2.2	–	2.2
Interest-bearing loans and borrowings	–	–	–	1,317.6	1,317.6	(263.0)	1,054.6
Current liabilities							
Trade and other payables	–	–	–	105.9	105.9	–	105.9
Derivative financial instruments	–	–	–	40.0	40.0	–	40.0
Total financial liabilities	–	–	–	1,465.7	1,465.7	(263.0)	1,202.7
Net financial assets/(liabilities)	132.4	69.1	56.5	(1,465.7)	(1,207.7)	263.0	(944.7)

The fair value difference relates to the Group's corporate bonds and the non-bank loans, which are stated at amortised cost in the consolidated statement of financial position. The fair value of the bonds is calculated as £576.4m (2022: £523.9m) based on quoted prices in traded markets. The fair value of the non-bank loans is calculated as £291.6m (2022: £263.1m) and is calculated by independent financial advisers (Centrus Group) by reference to quoted iBoxx index rates. There is no requirement under IFRS 9 to revalue these loans to fair value in the consolidated statement of financial position.

Included in cash above is £12.8m (2022: £14.5m) relating to cash held on behalf of tenants, leaseholders and clients comprising service charge and sinking fund balances, tenant deposits and cash held on behalf of joint ventures. These cash amounts are held by the Group in client bank accounts and are excluded from net debt. In addition, £4.7m (2022: £8.6m) of the cash balance is restricted in use, either by underlying financing arrangements or other commercial agreements comprising either reserve fund amounts or amounts where the release of cash is contingent upon proof of qualifying expenditure or quarterly cash waterfalls.

Financial risk management

The Group's objectives for managing financial risk are to minimise the risk of adverse effects on performance and to ensure the ability of the Group to continue as a going concern while securing access to cost effective finance and maintaining flexibility to respond quickly to opportunities that arise.

The Group's policies on financial risk management are approved by the Board of Directors and implemented by Group treasury. Written policies and procedures cover interest rate risk, credit risk, the use of derivative and non-derivative financial instruments and investment of excess liquidity. Group treasury regularly reports to the Audit Committee.

The Group uses derivative financial instruments to hedge its exposure to financial risk but does not take positions for speculative purposes.

The sources of financial risk and the policies and activities used to mitigate each are discussed below and include credit risk, liquidity risk and market risk, which includes interest rate risk, credit availability risk, house price risk in relation to the Tricomm Housing portfolio and our financial interest in property assets, and capital risk.

Financial risk factors

1) Credit risk

Credit risk is the risk of financial loss due to a counterparty's failure to honour its obligations. The Group's principal financial assets include its financial interest in property assets, bank balances and cash, trade and other receivables and derivative financial instruments. The carrying amount of financial assets recorded in the financial statements represents the Group's maximum exposure to credit risk without taking account of the value of any collateral obtained.

The Group's financial interest in property assets (CHARM) relates to a financial interest in equity mortgages held by the Church of England Pensions Board. The Group's cash receipts are payable by the Church Commissioners, a counterparty considered to be low risk as they have no history of past due or impaired amounts and there are no past due amounts outstanding at the year end.

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

27. Financial risk management and derivative financial instruments continued

The Group sometimes enters into land sales contracts under which a proportion of the consideration is deferred and recognised within other receivables (Note 23). Each purchaser is subject to financial due diligence prior to sale. At 30 September 2023, £nil (2022: £0.1m) was outstanding.

The Group also has credit risk relating to trade receivables. Under IFRS 9, the Group is required to provide for any expected credit losses arising from trade receivables. For all assured shorthold tenancies, credit checks are performed prior to acceptance of the tenant. Regulated tenants are incentivised through the benefit of their tenancy agreement to avoid default on their rent. Lifetime tenancies are generally at low or zero rent and hence suffer minimal credit risk. Rent deposits and personal guarantees are held in respect of some leases. Taking these factors into account, the risk to the Group of individual tenant default and the credit risk of trade receivables are considered low, as is borne out by the low level of trade receivables written off both in this year and in prior years.

Tenant deposits of £9.4m (2022: £8.2m) are held that provide some security against rental arrears and property dilapidations caused by the tenant. The Group does not hold any other collateral as security. Of the net trade receivables balance of £1.5m, we consider £nil to be not due and not impaired. All of the £17.9m other receivables balance are considered not due and not impaired.

As at 30 September 2023, tenant arrears of £1.5m within trade receivables were impaired and fully provided for (2022: £1.5m). The impaired receivables are based on a review of expected credit losses, which is detailed in Note 23. Impaired receivables and receivables not considered to be impaired are not material to the financial statements and, therefore, no further analysis is provided.

The credit risk on liquid funds and derivative financial instruments is managed through the Group's policies of monitoring counterparty exposure, monitoring the concentration of credit risk through the use of multiple counterparties and the use of counterparties of good financial standing. At 30 September 2023, the fair value of all interest rate derivatives that had a positive value was £45.3m (2022: £56.5m).

At 30 September 2023, the combined credit exposure arising from cash held at banks, money market deposits and interest rate swaps was £166.3m (2022: £152.4m), which represents 4.5% (2022: 4.3%) of total assets. Deposits were placed with financial institutions with A- or better credit ratings.

The Group has the following cash and cash equivalents:

	2023 £m	2022 £m
Pounds Sterling	**120.0**	94.8
Euros	**1.0**	1.1
	121.0	95.9

At the year end, £79.6m was placed on deposit (2022: £42.5m) at effective interest rates between 1.5% and 4.6% (2022: 0.1% and 2.2%). Remaining cash and cash equivalents are held as cash at bank or in hand. The Group has an overdraft facility of £1.0m as at 30 September 2023 (2022: £1.0m).

2) Liquidity risk

The Group ensures that it maintains continuity and flexibility through a spread of maturities.

Although the Group's core funding is subject to covenants requiring certain levels of LTV with respect to the entities in the Group of obligors, and to maintaining a certain level of interest cover at the Group level, the loans are not secured directly against any property allowing operational flexibility.

The Group ensures that it maintains sufficient cash for operational requirements at all times. The Group also ensures that it has sufficient undrawn committed borrowing facilities from a diverse range of banks and other sources to allow for operational flexibility and to meet committed expenditure. The business is highly cash generative from its sales of vacant properties, gross rents and management fees. In adverse trading conditions, tenanted and other sales can be increased and new acquisitions can be stopped. Consequently, the Group is able to reduce gearing ('LTV') levels and improve liquidity quickly.

The Group's credit rating is currently provided by Fitch and S&P. Fitch and S&P's most recent assessments on the Group were issued in June 2023. Fitch assigned the Group a long-term issuer default rating of 'BBB-' and the Group's Corporate Bonds' senior secured issue ratings of 'BBB'. S&P affirmed the Group's long-term issuer default rating of 'BB+' and the Group's Corporate Bonds' senior secured issue ratings of 'BBB-'. Both Fitch & S&P assigned the Group's credit outlook as 'Stable'. The Group's stable credit outlook suggests there is currently very little risk of a credit rating downgrade to the Group. The Group monitors rating agency metrics to ensure we maintain or improve upon the Group's current credit ratings.

In the event of a credit rating downgrade, there may be an increase in the coupon payable on the Group's Corporate Bonds should the senior secured issue rating fall below BBB-. This could result in an increase in the Group's annual interest charge of £8.7m. However, the coupon would revert to the original coupon payable should the credit rating recover to BBB- or higher. This increase in interest costs would also affect the Group's interest cover financial covenant. However there is significant headroom on our facility financial covenants and the Group has determined that we would remain compliant and retain significant covenant headroom despite this increase in interest costs. No other debt facilities or financial covenants of the Group would be affected by a credit rating downgrade.

Certain borrowings and facilities are structured as ESG funding comprising of either green loans or sustainability-linked finance. As at the year end, £125m of the Groups facilities are linked to ESG requirements of which £50m are designated as green loans and £75m are sustainability-linked finance. Green loan allocations are made on a use-of-proceeds basis where investment outcomes are expected to achieve certain minimum EPC ratings. Sustainability-linked facilities include targets to achieve certain EPC targets in the Groups PRS portfolio. As at the year end, the green loans were fully allocated, and all targets under the sustainability-linked facilities are being met. Achieving these targets results in the Group receiving a margin benefit on borrowings under their respective loans and facilities. In the event of not achieving a target, the Group may experience a similar margin penalty. As at the year end, the maximum possible penalty for missing a target could result in a further finance charge of less than £0.1m.

The Group's fixed rate borrowings are stated at amortised cost in the financial statements and there is currently no requirement under IFRS 9 to revalue these borrowings in the financial statements of the Group. Therefore, there would be no impact to the Group's measurement of borrowings in the event of a credit rating downgrade.

In accordance with IFRS 13, the Group measures derivatives at fair value including the effect of counterparty credit risk. Where derivatives have been designated in a cash flow hedge relationship, the Group carries out hedge effectiveness testing in accordance with IFRS 9. In the event of a credit rating downgrade, there may be an impact on the fair value of the Group's derivative contracts as the credit quality of the Group decreases which may give rise to a requirement to recognise some hedge ineffectiveness in the financial statements. However, in accordance with hedge effectiveness requirements under IFRS 9, credit valuation adjustments included in the measurement of derivative fair values would need to dominate movements in fair value before creating hedge ineffectiveness. The Group does not consider that a credit rating downgrade will impact derivative fair values and give rise to a material level of hedge ineffectiveness.

The following table analyses the Group's financial liabilities and net-settled derivative financial liabilities at the consolidated statement of financial position date into relevant maturity groupings based on the remaining period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows using yield curves as at 30 September 2023.

£m	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years	Total
At 30 September 2023					
Interest-bearing loans and borrowings (Note 26)	**–**	**–**	**944.5**	**589.0**	**1,533.5**
Interest on borrowings	**66.2**	**63.6**	**172.7**	**25.2**	**327.7**
Interest on derivatives	**(20.9)**	**(11.6)**	**(18.5)**	**(0.2)**	**(51.2)**
Trade and other payables	**120.7**	**1.2**	**0.7**	**5.0**	**127.6**
At 30 September 2022					
Interest-bearing loans and borrowings (Note 26)	40.0	–	344.5	973.1	1,357.6
Interest on borrowings	50.7	50.9	137.6	52.0	291.2
Interest on derivatives	(12.6)	(16.9)	(23.2)	(1.5)	(54.2)
Trade and other payables	105.9	2.2	–	–	108.1

The Group's undrawn committed borrowing facilities are monitored against projected cash flows.

Maturity of committed undrawn borrowing facilities

	2023 £m	2022 £m
Expiring		
Between one and two years	**–**	–
Between two and five years	**415.8**	590.8
Over five years	**–**	–
	415.8	590.8

3) Market risk

The Group is exposed to market risk through interest rates, the availability of credit and house price movements relating to the Tricomm Housing portfolio and the CHARM portfolio. The approach the Group takes to each of these risks is set out below. The Group is not significantly exposed to equity price risk or to commodity price risk.

Fair values

IFRS 13 sets out a three-tier hierarchy for financial assets and liabilities valued at fair value. These are as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets and liabilities;
- Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 – unobservable inputs for the asset or liability.

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

27. Financial risk management and derivative financial instruments continued

The following table presents the Group's assets and liabilities that are measured at fair value:

£m	2023 Assets	2023 Liabilities	2022 Assets	2022 Liabilities
Level 3				
CHARM	**67.0**	–	69.1	–
Investment property	**2,948.9**	–	2,775.9	–
	3,015.9	–	2,845.0	–
Level 2				
Interest rate swaps – in cash flow hedge accounting relationships	**45.3**	–	56.5	–
	45.3	–	56.5	–

The significant unobservable inputs affecting the carrying value of the CHARM portfolio are house price inflation and discount rates. Assumptions used are detailed in Note 2 and reconciliation of movements and amounts recognised in the consolidated income statement are detailed in Note 20.

The investment valuations provided by Allsop LLP and CBRE Limited are based on the RICS Professional Valuation Standards, but include a number of unobservable inputs and other valuation assumptions and are detailed in Note 2.

The fair value of swaps and caps were valued in-house by a specialised treasury management system, using a discounted cash flow model and market information. The fair value is derived from the present value of future cash flows discounted at rates obtained by means of the current yield curve appropriate for those instruments. As all significant inputs required to value the *swaps and caps are observable, they all fall within Level 2.*

Interest rate swaps and caps are all classified as either current assets or current liabilities.

The notional principal amount of the outstanding interest rate swap and cap contracts as at 30 September 2023 was £427.4m (2022: £283.3m).

In accordance with IFRS 9, the Group has reviewed its interest rate hedges. In the absence of hedge accounting, movements in fair value are taken directly to the consolidated income statement. However, where cash flow hedges have been viewed as being effective, and have been designated as such, any gains or losses have been taken to the cash flow hedge reserve via other comprehensive income.

The reconciliation between opening and closing balances for Level 3 is detailed in the table below.

Assets – Level 3	2023 £m	2022 £m
Opening balance	**2,845.0**	2,250.9
Amounts taken to income statement	**(64.2)**	216.2
Other movements	**235.1**	377.9
Closing balance	**3,015.9**	2,845.0

The following assets and liabilities are excluded from the above table as fair value is not the accounting basis for the Group's financial statements, but is the basis for the Group's EPRA NRV, EPRA NTA and EPRA NDV measures.

£m	Accounting basis	Classification of fair valued	2023 Book value	2023 Fair value	2022 Book value	2022 Fair value
Inventories – trading property	Lower of cost and net realisable value	Level 3	**392.2**	**734.3**	453.8	873.0
Corporate bonds	Amortised cost	Level 1	**700.0**	**576.4**	700.0	523.9
Non-bank loans	Amortised cost	Level 3	**350.0**	**291.6**	350.0	263.1

(a) Interest rate risk – The Group's interest rate risk arises from the risk of fluctuations in interest charges on floating rate borrowings. The Group mitigates this risk through the use of variable to fixed interest rate swaps and caps. This subjects the Group to fair value risk as the value of the financial derivatives fluctuates in line with variations in interest rates. However, the *Group seeks to cash flow hedge account where applicable. The Group is, however, driven by commercial considerations when* hedging its interest rate risk and is not driven by the strict requirements of the hedge accounting rules under IFRS 9 if this is to the detriment of achieving the best commercial arrangement.

Hedging activities are carried out under the terms of the Group's hedging policies and are regularly reviewed by the Board to ensure compliance with this policy. The Board reviews its policy on interest rate exposure regularly with a view to establishing *that it is still relevant in the prevailing and forecast economic environment. The current Group treasury policy is to maintain* floating rate exposure of no greater than 30% of expected borrowing. As at 30 September 2023, 95% (2022: 97%) of the Group's gross borrowings were economically hedged to fixed or capped rates.

Based on the Group's interest rate profile at the statement of financial position date, a 1% rise in interest rates would decrease annual profits by £0.5m (2022: £0.3m). Similarly, a 1% fall would increase annual profits by £0.5m (2022: £0.3m).

Based on the Group's interest rate profile at the statement of financial position date, a 1% increase in interest rates would increase the Group's equity by £11.3m (2022: £11.2m). Similarly, a 1% fall would decrease the Group's equity by £11.2m (2022: £11.2m).

Upward movements in medium and long-term interest rates, associated with higher interest rate expectation, increase the value of the Group's interest rate swaps that provide protection against such moves. The converse is true for downward movements in the interest yield curve. Where the Group's swaps qualify as effective hedges under IFRS 9, these movements in fair value are recognised directly in other comprehensive income rather than the consolidated income statement.

As at 30 September 2023, the market value of derivatives designated as cash flow hedges under IFRS 9 is a net asset of £45.3m (2022: £56.5m). No amount is recognised within the income statement for ineffectiveness of cash flow hedges (2022: £nil). The fair value movement on derivatives not in hedge accounting relationships resulted in a charge of £nil (2022: £nil) in the consolidated income statement.

At 30 September 2023, the market value of derivatives not designated as cash flow hedges under IFRS 9 is £nil (2022: £nil). The cash flows occur and enter in the determination of profit and loss until the maturity of the hedged debt.

The table below summarises debt hedged.

Hedged debt

	2023 £m	2022 £m
Hedged debt maturing		
Within one year	**–**	–
Between one and two years	**–**	–
Between two and five years	**387.4**	283.3
Over five years	**40.0**	–
	427.4	283.3

Interest rate profile – including the effect of derivatives and amortisation of issue costs:

	2023					2022				
	Weighted average interest rate %	**Average maturity years[1]**	**Sterling £m**	**Euros £m**	**Gross debt total £m**	Weighted average interest rate %	Average maturity years	Sterling £m	Euros £m	Gross debt total £m
Fixed rate	**3.1**	**5.4**	**1,050.0**	**–**	**1,050.0**	3.1	6.4	1,050.0	–	1,050.0
Hedged rate	**2.8**	**4.9**	**427.4**	**–**	**427.4**	3.5	4.7	283.3	–	283.3
Variable rate	**7.2**	**4.9**	**70.9**	**0.9**	**71.8**	4.0	4.7	40.0	0.9	40.9
	3.2	**5.2**	**1,548.3**	**0.9**	**1,549.2**	3.2	5.6	1,373.3	0.9	1,374.2

1 Average maturity years excluding extension options. Including extension options, with the extension to be mutually agreed between the Group and the lenders, the average maturity years is 5.5 years (2022: 6.5 years).

At 30 September 2023, the fixed interest rates on the interest rate swap contracts vary from 0.36% to 1.51% (2022: 0.69% to 2.00%); the weighted average rates are shown in the table above.

(b) Credit availability risk – Credit availability risk relates to the Group's ability to refinance its borrowings at the end of their terms or to secure additional financing where necessary. The Group maintains relationships with a diverse range of lenders and maintains sufficient headroom through cash and committed borrowings. On 30 September 2023, the Group had available headroom of £518.7m, with the next debt maturity not until April 2026, although extension options are available to extend this by a further year.

(c) House price risk – The cash flows arising from the Group's financial interest in property assets (CHARM) and the Tricomm Housing portfolio are related to the movement in value of the underlying property assets and, therefore, are subject to movements in house prices. However, consistent with the Group's approach to house price risk across its portfolio of trading and investment properties, the Group does not seek to eliminate this risk as it is a fundamental part of the Group's business model.

(d) Capital risk management – The Board manages the Group's capital through the regular review of: cash flow projections; the ability of the Group to meet contractual commitments; covenant tests; dividend cover; and gearing ('LTV'). The current capital structure of the Group comprises a mix of debt and equity. Debt is typically both current and non-current interest-bearing loans and borrowings as set out in the consolidated statement of financial position. Equity comprises issued share capital, reserves and retained earnings as set out in the consolidated statement of changes in equity.

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

27. Financial risk management and derivative financial instruments continued

Group loans and borrowings have associated covenant requirements with respect to LTV and ICR. The covenants operate on a facility by facility basis, with maximum LTV ranges between 70% – 75% and minimum ICR cover of 1.35x – 1.75x. As at 30 September 2023, the minimum headroom based on individual facilities is a 28.5% increase in LTV and 41.5% reduction in ICR. At the year end, Group LTV was 36.8% (see page 180 for calculation) and Group ICR was 4.1x.

The Board regularly reviews all current and projected future levels to monitor anticipated compliance and available headroom against key thresholds. LTV is reviewed in the context of the Board's view of markets, the prospects of, and risks relating to, the portfolio and the recurring cash flows of the business. The Group deems a range of LTV of up to 45% to be appropriate in the medium term.

The Group monitors its cost of debt and Weighted Average Cost of Capital ('WACC') on a regular basis. At 30 September 2023, the weighted average cost of debt was 3.3% (2022: 3.1%). Investment and development opportunities are evaluated using a risk adjusted WACC in order to ensure long-term Shareholder value is created.

28. Pension costs

Accounting policy

i) **Defined contribution pension scheme** – Obligations for contributions to defined contribution pension schemes are recognised as an expense in the income statement in the period to which they relate.

ii) ***Defined benefit pension scheme*** – The Group currently contributes to a defined benefit pension scheme that was closed to new members and future accrual of benefits in 2003. The full deficit in the scheme was recognised in the statement of financial position as at 1 October 2004.

An actuarial valuation of the scheme is carried out every three years. The cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at each consolidated statement of financial position date by a qualified actuary, for the purpose of determining the amounts to be reflected in the Group's financial statements under IAS 19.

The defined benefit obligation is valued by projecting the best estimate of future benefit outgoings (allowing for future salary increases for active members, revaluation to retirement for deferred members and annual pension increases for all members) and then discounting to the consolidated statement of financial position date.

The pension scheme assets comprise investments in bonds and cash, managed by Rathbones Investment Management Limited and insurance policies managed by Friends Life. These assets are measured at fair value in the statement of financial position.

The amount shown in the statement of financial position is the net of the present value of the defined benefit obligation and the fair value of the scheme assets. When there is a surplus the Group considers the requirements of IFRIC 14 and whether there is economic benefit available as a refund of this surplus, or through a reduction in future contributions. When an unconditional right to future economic benefit exists, there is no restriction on the amount of surplus recognised.

There are no current or past service costs as the scheme is closed to new members and future accrual. The net interest amount, calculated by applying the discount rate to the net defined benefit liability, is reflected in the income statement each year.

Actuarial gains and losses net of deferred income tax are reflected in other comprehensive income each year.

(a) Defined contribution scheme

The Group operates a defined contribution pension scheme for its employees. The assets of the scheme are held separately from those of the Group in independently administered funds. The Group has no legal or constructive obligations to pay further contributions if the funds do not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. *Pension arrangements for Directors are disclosed in the report of the Remuneration Committee* and the Directors' Remuneration report on pages 93 to 111. The pension cost charge in these financial statements represents contributions payable by the Group.

The charge of £1.5m (2022: £1.4m) is included within employee remuneration in Note 10.

(b) Defined benefit scheme

In addition to the above, the Group also operates a final salary defined benefit pension scheme, the BPT Retirement Benefits Scheme. The assets of the scheme are held separately in funds administered by Trustees and are invested with Rathbones Investment Management Limited, an independent investment manager. Pension benefits are linked to the members' final pensionable salaries and service at their retirement date (or date of leaving if earlier). The Trustees are responsible for running the scheme in accordance with the scheme's trust deed and rules, which sets out their powers. The Trustees of the scheme are required to act in the best interests of the beneficiaries of the scheme. There is a requirement that at least one-third of the Trustees are nominated by the members of the scheme.

There are three categories of pension scheme members:

- Active members: currently employed by the Group. No benefits have accrued since 30 June 2003, although active members retain a final salary link
- Deferred members: former employees of the Group
- Pensioner members: in receipt of pension

The defined benefit obligation is valued by projecting the best estimate of future benefit payments (allowing for future salary increases for active members, revaluation to retirement for deferred members and annual pension increases for all members) and then discounting to the statement of financial position date. In the period up to retirement, benefits receive increases linked to Consumer Prices Index ('CPI') inflation (subject to a cap of no more than 5% p.a.). After retirement, benefits receive fixed increases of 5% p.a. The valuation method used is known as the Projected Unit Credit Method. The approximate overall duration of the scheme's defined benefit obligation as at 30 September 2023 was 16 years.

The IAS 19 calculations for disclosure purposes have been based upon the results of the actuarial valuation carried out as at 1 July 2022, updated to 30 September 2023, by a qualified independent actuary.

i) Principal actuarial assumptions under IAS 19 (p.a.)

	2023 %	2022 %
Discount rate	**5.6**	5.0
Retail Price Index ('RPI') inflation	**3.5**	3.8
Consumer Prices Index ('CPI') inflation	**2.8**	3.0
Salary increases	**4.0**	4.3
Rate of increase of pensions in payment	**5.0**	5.0
Rate of increase for deferred pensioners	**2.8**	3.0

ii) Demographic assumptions

	2023	2022
Mortality tables for pensioners	**S3PA base tables CMI 2022 mortality projections 1.25% p.a. long-term rate**	S2PA base tables CMI 2021 mortality projections 1.25% p.a. long-term rate
Mortality tables for non-pensioners	**As for pensioners**	As for pensioners

iii) Life expectancies

	30 September 2023		30 September 2022	
	Male	**Female**	Male	Female
Life expectancy for a current 60-year-old (years)	**86**	**89**	86	89
Life expectancy at age 60 for an individual aged 45 (years)	**87**	**90**	87	90

Risks

Through the scheme, the Group is exposed to a number of risks:

- Changes in bond yields: a decrease in corporate bond yields would increase the fair value of the scheme's defined benefit obligation.
- Asset volatility: the scheme invests in Government and highly rated corporate bonds, the value of which fluctuate, particularly in response to movements in market interest rates.
- Credit Risk: the scheme's assets are primarily UK government and highly rated corporate debt through which the Group is exposed to the credit risk of these highly rated counterparties.
- Inflation risk: some of the scheme's defined benefit obligation is linked to inflation, therefore higher inflation will result in a higher defined benefit obligation (subject to the appropriate caps in place). The scheme holds a proportion of index-linked gilts in its asset portfolio to partially mitigate this risk.
- Life expectancy: if scheme members live longer than expected, the scheme's benefits will need to be paid for longer, increasing the scheme's defined benefit obligation.

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

28. Pension costs continued

The Trustees and Group manage risks in the scheme through the following strategies:

- Investment strategy: the Trustees regularly review the investment strategy and in 2023 undertook a rebalancing of the portfolio to secure a surplus funding position through the purchase of a portfolio of nominal and index-linked Government and highly rated corporate debt that is expected to closely mirror future changes in the scheme liabilities.
- Diversification: investments in corporate debt are diversified, such that the failure of any single investment would not have a material impact on the overall level of assets

Market value of scheme assets

The assets of the scheme are invested in a diversified portfolio as follows:

	30 September 2023		30 September 2022	
	Market value £m	% of total scheme assets	Market value £m	% of total scheme assets
Equities	–	–	13.9	48
Bonds	**24.0**	**84**	10.7	37
Cash	**2.6**	**9**	1.9	7
Insurance policies	**2.0**	**7**	2.3	8
Total value of assets	**28.6**	**100**	28.8	100
The actual return on assets over the year was	**0.7**		(4.4)	

The assets of the scheme are held with Rathbones Investment Management Limited in a managed fund. All of the assets listed have a quoted market price in an active market with the exception of the insurance policy asset where its value has been set equal to the secured pensioner liability.

The change in the market value of the scheme assets over the year was as follows:

	2023 £m	2022 £m
Market value of scheme assets at the start of the year	**28.8**	33.9
Interest income	**1.5**	0.6
Employer contributions	**0.3**	0.6
Actuarial return on assets less interest	**(0.8)**	(5.1)
Benefits paid	**(1.2)**	(1.2)
Market value of scheme assets at the end of the year	**28.6**	28.8

The change in value of the defined benefit obligation over the year was as follows:

	2023 £m	2022 £m
Value of defined benefit obligation at the start of the year	**19.0**	30.4
Interest on pension scheme liabilities	**0.9**	0.6
Remeasurement of changes in financial assumptions	**0.3**	(10.8)
Benefits paid	**(1.2)**	(1.2)
Value of defined benefit obligation at the end of the year	**19.0**	19.0

Amounts recognised in the consolidated statement of comprehensive income:

	2023 £m	2022 £m
Actuarial return on assets less interest	**(0.8)**	(5.1)
Remeasurement of defined benefit obligation	**(0.3)**	10.8
	(1.1)	5.7

The loss shown in the above table of £1.1m (2022: gain of £5.7m) has been included in the consolidated statement of comprehensive income on page 127.

The surplus is recognised because the Group considers there is economic benefit available through a reduction in future contributions or the eventual return of the surplus.

Future funding obligation

The Trustees are required to carry out an actuarial valuation every three years. The last actuarial valuation of the scheme was performed by the Actuary for the Trustees as at 1 July 2022. This valuation revealed a funding shortfall of £nil and as a result of this valuation, the Group agreed to cease the existing recovery plan and pay no additional contributions.

Sensitivity analysis

Set out below is an analysis of how the scheme deficit would vary with changes to the key actuarial assumptions:

Discount rate movement of 0.75% p.a.	Increase/(decrease) in deficit of £2.0m/(£2.2m)
Salary movement of 1.00% p.a.	Increase/(decrease) in deficit of £0.1m/(£0.1m)
Life expectancies movement of one year	Increase/(decrease) in deficit of £0.8m/(£0.8m)

29. Issued share capital

Accounting policy

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Acquisition of and investment in own shares

The Group acquires its own shares to enable it to meet its obligations under the various share schemes in operation. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own shares. The acquisition cost of the shares is debited to an investment in own shares reserve within retained earnings.

Where the Group buys back its own shares as treasury shares it adopts the accounting as described above. Where it subsequently cancels them, issued share capital is reduced by the nominal value of the shares cancelled and this same amount is transferred to the capital redemption reserve.

Issue of share capital

	2023 £m	2022 £m
Allotted, called-up and fully paid:		
743,042,056 (2022: 742,921,734) ordinary shares of 5p each	**37.2**	37.1

During the year, The Grainger Employee Benefit Trust has acquired 3,000,000 shares at a cost of £7.8m (2022: 1,000,000 shares at a cost of £3.2m). The Group paid £0.1m (2022: £0.1m) to the Share Incentive Plan during the year for the purchase of matching shares and free shares in the scheme. The total cost of acquiring own shares of £7.9m (2022: £3.3m) has been deducted from retained earnings within Shareholders' equity.

As at 30 September 2023, share capital included 3,440,348 (2022: 699,878) shares held by The Grainger Employee Benefit Trust and 1,506,300 (2022: 1,506,300) shares held by Grainger plc as treasury shares. The total of these shares is 4,946,648 (2022: 2,206,178) with a nominal value of £247,332 (2022: £110,309) and a market value as at 30 September 2023 of £11.6m (2022: £5.1m).

Movements in issued share capital during the year and the previous year were as follows:

	Number	Nominal value £'000
At 30 September 2021	742,776,681	37,139
Options exercised under the SAYE scheme (Note 30)	145,053	7
At 30 September 2022	**742,921,734**	**37,146**
Options exercised under the SAYE scheme (Note 30)	**120,322**	**6**
At 30 September 2023	**743,042,056**	**37,152**

30. Share-based payments

Accounting policy

The Group operates a number of equity-settled, share-based compensation plans comprising awards under a Long-Term Incentive Plan ('LTIP'), a Deferred Bonus Plan ('DBP'), a Share Incentive Plan ('SIP') and a Save As You Earn ('SAYE') scheme. The fair value of the employee services received in exchange for the grant of shares and options is recognised as an employee expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the shares and options granted.

For market-based conditions, the probability of vesting is taken into account in the fair value calculation and no revision is made to the number of shares or options expected to vest. For non-market conditions, each year the Group revises its estimate of the number of options or shares that are expected to vest. It recognises the impact of the revision to original estimates, if any, in the consolidated income statement with a corresponding adjustment to equity.

Awards that are subject to a market-based performance condition are valued at fair value using the Monte Carlo simulation model. Awards not subject to a market-based performance condition are valued at fair value using the Black-Scholes valuation model.

When options are exercised the proceeds received, net of any directly attributable transaction costs, are credited to share capital (nominal value) and share premium.

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

30. Share-based payments continued

Share awards

	LTIP		DBSP	DBP	EDBP	SAYE	
Award date	12 December 2022 Market-based	12 December 2022 Non-market-based	12 December 2022	12 December 2022	12 December 2022	1 July 2023 3-year scheme	1 July 2023 5-year scheme
Number of shares on grant	**421,562**	**843,124**	**218,225**	**65,177**	**28,764**	**378,204**	**156,787**
Exercise price (£)	-	-	-	-	-	**2.03**	**2.03**
Vesting period from date of grant (years)	**3**	**3**	**3**	**1-3**	**1-5**	**3**	**5**
Exercise period after vesting (years)	**7**	**7**	**3**	**3**	**3**	-	-
Share price at grant (£)	**2.48**	**2.48**	**2.48**	**2.48**	**2.48**	**2.27**	**2.27**
Expected risk free rate (%)	**3.3**	**3.3**	**N/A**	**N/A**	**N/A**	**5.1**	**4.7**
Expected dividend yield (%)	**N/A**	**N/A**	**2.7**	**2.7**	**2.7**	**2.7**	**2.7**
Expected volatility (%)	**28.6**	**28.6**	**N/A**	**N/A**	**N/A**	**27.1**	**24.6**
Fair value (£)	**1.37**	**2.48**	**2.48**	**2.48**	**2.48**	**0.56**	**0.61**

The expected volatility figures used in the valuation were calculated based on the historic volatility over a period equal to the expected term from the date of grant.

The share-based payments charge recognised in the consolidated income statement is £2.4m (2022: £1.7m)

(a) LTIP scheme

For the awards granted in or after December 2022, 33% of the awards under the LTIP scheme are subject to an absolute Total Shareholder Return performance condition measured over three years from the date of grant, 33% are subject to annual growth in Total Property Income Return measured over three years from the date of grant, and the final 33% are subject to achieving Secured PRS Investment targets measured over three years from the date of grant.

For the awards granted in or after December 2021, 33% of the awards under the LTIP scheme are subject to an absolute Total Shareholder Return performance condition measured over three years from the date of grant, 33% are subject to annual growth in Total Property Return measured over three years from the date of grant, and the final 33% are subject to achieving Secured PRS Investment targets measured over three years from the date of grant.

For the awards granted in or after February 2020, 50% of the awards under the LTIP scheme are subject to an absolute Total Shareholder Return performance condition measured over three years from the date of grant, 25% are subject to annual growth in Total Property Return measured over three years from the date of grant, and the final 25% are subject to achieving Secured PRS Investment targets measured over three years from the date of grant.

For previous grants, 50% of the awards are subject to an absolute total shareholder return performance condition and 50% are subject to annual growth in Total Property Return, both measured over three years from the date of grant. The movement in LTIP awards during the year is as follows

Awards	Opening balance	Awards granted	Awards vested	Awards lapsed	Closing balance
LTIP					
26 September 2019	31,694	–	**(31,694)**	–	–
6 February 2020	462,419	–	**(109,906)**	**(78,282)**	**274,231**
10 December 2020	490,967	–	–	–	**490,967**
11 October 2021	549,904	–	–	**(31,240)**	**518,664**
15 December 2021	851,484	–	–	**(23,077)**	**828,407**
28 September 2022	61,712	–	–	–	**61,712**
12 December 2022	–	**1,264,686**	–	–	**1,264,686**
Total	2,448,180	**1,264,686**	**(141,600)**	**(132,599)**	**3,438,667**

[illegible]

(b) DBP scheme

Awards granted under the DBSP relate to the compulsory deferral of 25% of any bonus paid to Executive Directors as described in the Remuneration Committee report. Shares granted in this scheme have no further performance conditions other than continued employment. There is a three-year vesting period from the date of grant, after which time participants can choose to exercise their awards

Awards granted under the DBP scheme have no specific performance conditions other than employees in the scheme continuing to be employed. There is a three-year vesting period from the date of grant One-third of the awards vest at the end of each year Participants can choose to exercise their awards on vesting or to retain their awards within the plan until the end of the third year at which point a 50% matching element is added to their award entitlement.

In addition to the DBP scheme, an enhanced DBP scheme ('EDBP') is also provided. The enhanced scheme operates in exactly the same way as the normal DBP scheme except that if participants retain their awards within the plan until the end of the fifth year, a further additional 50% matching award is added to their award entitlement Awards under the DBP/EDBP have been valued based on the share price at the date of the award less the dividend yield at the award date as there is no entitlement to dividends during the vesting period.

The movement in DBP/EDBP awards during the year is as follows

Awards	Opening balance	**Awards granted**	**Awards exercised**	**Awards lapsed**	**Closing balance**
DBSP					
1 December 2019	32,887	–	**(16,458)**	–	**16,429**
10 December 2020	61,313	–	–	–	**61,313**
16 December 2021	105,955	–	–	**(10,641)**	**95,314**
12 December 2022	–	**218,255**	–	–	**218,255**
DBP					
17 December 2019	26,058	–	**(26,058)**	–	–
10 December 2020	34,298	–	–	–	**34,298**
16 December 2021	40,800	–	–	–	**40,800**
12 December 2022	–	**65,177**	–	–	**65,177**
EDBP					
21 December 2017	36,826	–	**(26,933)**	**(1,675)**	**8,218**
17 December 2018	77,210	–	**(15,232)**	**(2,812)**	**59,166**
17 December 2019	57,172	–	**(10,720)**	**(3,752)**	**42,700**
10 December 2020	67,492	–	**(13,304)**	**(4,080)**	**50,108**
16 December 2021	17,864	–	–	–	**17,864**
12 December 2022	–	**28,764**	–	–	**28,764**
Total	557,875	**312,196**	**(108,705)**	**(22,960)**	**738,406**

(c) SAYE share option scheme

Awards under the SAYE scheme have been valued at fair value using a Black-Scholes valuation model. The number of shares subject to options as at 30 September 2023, the periods in which they were granted and the periods in which they may be exercised and the movement during the year are given below.

	Exercise price[1] (pence)	Exercise period	Opening balance	**Awards granted**	**Awards exercised**	**Awards lapsed/ cancelled**	**Closing balance**
SAYE							
2017	189.9	2020-23	26,847	–	**(26,847)**	–	–
2019	193.0	2022-25	134,224	–	**(88,775)**	**(5,036)**	**40,413**
2020	245.0	2023-26	196,544	–	**(4,700)**	**(98,851)**	**92,993**
2021	234.0	2024-27	117,201	–	–	**(46,555)**	**70,646**
2022	248.0	2025-28	277,302	–	–	**(183,678)**	**93,624**
2023	203.0	2026-29	–	**534,991**	–	**(18,324)**	**516,667**
			752,118	**534,991**	**(120,322)**	**(352,444)**	**814,343**
Weighted average exercise price (pence per share)			233.1	**203.0**	**194.3**	**242.2**	**215.2**

1 Exercise prices have been adjusted to reflect the impact of the 2019 rights issue

For those share options exercised during the year, the weighted average share price at the date of exercise was 248.4p (2022: 274.6p). For share options outstanding at the end of the year, the weighted average remaining contractual life was 2.5 years (2022: 2.1 years) There were 51,366 (2022: 115,995) share options exercisable at the year end with a weighted average exercise price of 245.0p (2022: 192.3p).

(d) SIP scheme

Awards under the SIP scheme have been based on the share price at the date of the award.

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

31. Changes in equity

The consolidated statement of changes in equity is shown on page 129. Further information relating to reserves is provided below. Movements on the retained earnings reserve are set out in Note 32.

(a) Merger reserve

The merger reserve arose when the Company issued shares in partial consideration for the acquisition of City North Group plc in the year ended 30 September 2005. The issue satisfied the provisions of Section 612 of the Companies Act 2006 (formerly Section 131 of the Companies Act 1985) and the premium relating to the shares issued was credited to a merger reserve.

(b) Cash flow hedge reserve

The fair value movements on those derivative financial instruments qualifying for hedge accounting under IFRS 9 are taken to this reserve net of tax.

32. Movement in retained earnings

The retained earnings reserve comprises various elements, including:

Treasury shares bought back and cancelled

Included within retained earnings at 30 September 2023 is a balance of £7.8m (2022: £7.8m) relating to treasury shares bought back and cancelled.

Investment in own shares

Included within retained earnings at 30 September 2023 is a balance of £4.8m (2022: £0.9m) relating to investments in own shares.

33. List of subsidiaries, joint ventures and associates

A full list of all subsidiaries, joint ventures, associates and other related undertakings as at 30 September 2023 is set out in the Notes to the parent Company financial statements on pages 173 to 174.

The following subsidiaries will take advantage of the audit exemption set out within Section 479A of the Companies Act 2006 for the year ended 30 September 2023.

Company	Companies House registered number
Atlantic Metropolitan (U.K.) Limited	01628078
BPT (Bradford Property Trust) Limited	00252992
BPT (Residential Investments) Limited	00359346
BPT Limited	00229269
Bromley Property Holdings Limited	04132693
Bromley Property Investments Limited	04066391
Crossco (No. 103) Limited	02929000
Derwent Developments (Curzon) Limited	05887266
Derwent Developments Limited	01899218
Grainger (Hallsville Block D1) Limited	12170837
Grainger (Hallsville Residential) Limited	14669820
Grainger (Hallsville) Limited	11834099
Grainger (Hornsey) Limited	04810257
Grainger Asset Management Limited	04417232
Grainger Bradley Limited	08324941
Grainger Development Management Limited	03146573
Grainger Developments Limited	06061419
Grainger Employees Limited	05019636
Grainger Europe Limited	05299283
Grainger Finance (Tricomm) Limited	08451352
Grainger Homes (Gateshead) Limited	05651808
Grainger Homes Limited	04125751
Grainger Housing & Developments Limited	02618842
Grainger Invest No 1 Limited Liability Partnership	OC312947
Grainger Invest No 2 Limited Liability Partnership	OC317919
Grainger Kensington & Chelsea Limited	08131345
Grainger Maidenhead Limited	03709575
Grainger Newbury Limited	03904336
Grainger OCCC Limited	07557656
Grainger Properties Limited	03910945
Grainger RAMP Limited	07560835
Grainger Real Estate Limited	04170173
Grainger Residential Management Limited	04974627
Grainger PRS Limited	05789357
Grainger Seven Sisters Limited	06111428
Grainger Treasury Property (2006) Limited Liability Partnership	OC325497
Grainger Treasury Property Investments Limited Partnership	LP011846
Grainger Tribe Limited	11055318
Greit Limited	05788577
GRIP UK Holdings Limited	10172912
GRIP UK Property Developments Limited	10626824
Margrave Estates Limited	00332564
MREF III Newcastle Operations Limited	10606762
PHA Limited	06734419
Portland House Holdings Limited	02421236
Vesta (General Partner) Limited	09639967
Warren Court Limited	03109104
West Waterlooville Developments Limited	03047254

The parent Company has guaranteed the debts and liabilities of the above subsidiaries as at 30 September 2023 in accordance with Section 479C of the Companies Act 2006. The parent company has assessed the probability of loss under the guarantees as remote.

34. Related party transactions

During the year ended 30 September 2023, the Group transacted with its associates and joint ventures (details of which are set out in Notes 18 and 19). The Group provides a number of services to its associates and joint ventures. These include property and asset management services for which the Group receives fee income. The related party transactions recognised in the income statement and statement of financial position are as follows:

£'000	2023 Fees recognised	2023 Year end balance	2022 Fees recognised	2022 Year end balance
Connected Living London (BTR) Limited	**1,455**	**480**	1,303	596
Lewisham Grainger Holdings LLP	**307**	**368**	319	–
Vesta LP	**838**	**227**	743	207
	2,600	**1,075**	2,365	803

	2023 Interest recognised £'000	2023 Year end loan balance £m	2023 Interest rate %	2022 Interest recognised £'000	2022 Year end loan balance £m	2022 Interest rate %
Curzon Park Limited	**–**	**18.1**	**Nil**	–	18.1	Nil
Lewisham Grainger Holdings LLP	**871**	**10.2**	**11.2**	692	7.2	6.9
Vesta LP	**–**	**14.6**	**Nil**	–	14.6	Nil
	871	**42.9**		692	39.9	

Details of the Group's other related parties are provided in Note 10 in relation to key management compensation and Note 28 in relation to the Group's retirement benefit pension scheme.

35. Leases

Accounting policy

i) Group as lessor – Rental income from operating leases is recognised on a straight-line basis over the lease term. The net present value of ground rents receivable is, in the opinion of the Directors, immaterial. Accordingly, ground rents receivable are taken to the consolidated income statement on a straight-line basis over the period of the lease. Properties leased out to tenants are included in the consolidated statement of financial position as either investment property or as trading property under inventories.

ii) Group as lessee – The Group occupies a number of its offices as a lessee. The net present value of the lease liabilities is recorded in the consolidated statement of financial position within trade and other payables. The leased office space is included in the consolidated statement of financial position as a right-of-use asset in property, plant and equipment and depreciated over the life of the lease.

(a) Group as lessor

The future aggregate undiscounted lease payments due to the Group under non-cancellable operating leases are as follows:

	2023 £m	2022 £m
Operating lease payments due:		
Not later than one year	**32.2**	27.3
Greater than one year but less than two years	**2.4**	4.3
Greater than two years but less than three years	**2.0**	2.0
Greater than three years but less than four years	**1.7**	1.7
Greater than four years but less than five years	**1.4**	1.5
Greater than five years	**70.2**	74.1
	109.9	110.9

There are no contingent rents recognised within net rental income in 2023 or 2022 relating to properties where the Group acts as a lessor of assets under operating leases. The Group's non-cancellable operating leases exclude regulated tenancies. Under these agreements, tenants have the right to remain in a property for the remainder of their lives. Should the tenant require the lease to be cancelled for any reason, they are able to do so generally with immediate effect, in which case we take vacant possession for subsequent disposal of the property. As such, regulated tenancies are excluded from the above analysis.

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

35. Leases continued

(b) Group as lessee

The future aggregate lease payments payable by the Group under non-cancellable operating leases are as follows:

	2023 £m	2022 £m
Operating lease payments due:		
Not later than one year	**0.2**	0.8
Later than one year and not later than five years	**1.9**	0.9
Later than five years	**5.0**	1.3
	7.1	3.0

Leases relating to office space used by the Group have initial terms of varying lengths, between one and ten years. Rent reviews generally take place every five years.

36. Contingent liabilities

Properties in certain subsidiary companies form a 'guarantee group' with a market value of £2,301.0m and provide the security for the Group's core debt facility and Corporate Bonds.

Barclays Bank PLC and Lloyds Bank PLC have provided guarantees under performance bonds. As at 30 September 2023, total guarantees amounted to £3.2m (2022: £4.3m).

37. Capital commitments

The Group has current commitments under a number of its PRS projects. The Group's commitments, including its relevant share of commitments to joint ventures and associates, are as follows

	2023 £m	2022 £m
Wholly-owned Group subsidiaries	**397.8**	628.9
	397.8	628.9

PARENT COMPANY STATEMENT OF FINANCIAL POSITION AND STATEMENT OF CHANGES IN EQUITY
AS AT 30 SEPTEMBER

	Notes	2023 £m	2022 £m
Fixed assets			
Investments	2	**2,335.9**	1,784.6
Current assets			
Trade and other receivables	3	**23.8**	324.0
Cash at bank and in hand		**64.4**	41.8
		88.2	365.8
Creditors: amounts falling due within one year	4	**(48.3)**	(8.3)
Net current assets		**39.9**	357.5
Total assets less current liabilities		**2,375.8**	2,142.1
Creditors: amounts falling due after more than one year			
Interest-bearing loans and borrowings	5	**(832.6)**	(831.9)
NET ASSETS		**1,543.2**	1,310.2
Capital and reserves			
Issued share capital	6	**37.2**	37.1
Share premium account		**817.8**	817.6
Capital redemption reserve		**0.3**	0.3
Retained earnings		**687.9**	455.2
TOTAL EQUITY		**1,543.2**	1,310.2

The financial statements on pages 169 to 174 were approved by the Board of Directors on 21 November 2023 and were signed on their behalf by

Helen Gordon
Director

Rob Hudson
Director

Parent company statement of changes in equity

	Issued share capital £m	Share premium £m	Capital redemption reserve £m	Retained earnings £m	Total equity £m
Balance as at 1 October 2021	37.1	817.3	0.3	466.9	1,321.6
Profit for the year	–	–	–	29.9	29.9
Award of SAYE shares	–	0.3	–	–	0.3
Purchase of own shares	–	–	–	(3.3)	(3.3)
Share-based payments charge	–	–	–	1.7	1.7
Dividends paid	–	–	–	(40.0)	(40.0)
Balance as at 30 September 2022	**37.1**	**817.6**	**0.3**	**455.2**	**1,310.2**
Profit for the year	**–**	**–**	**–**	**283.9**	**283.9**
Award of SAYE shares	**0.1**	**0.2**	**–**	**–**	**0.3**
Purchase of own shares	**–**	**–**	**–**	**(7.9)**	**(7.9)**
Share-based payments charge	**–**	**–**	**–**	**2.4**	**2.4**
Dividends paid	**–**	**–**	**–**	**(45.7)**	**(45.7)**
Balance as at 30 September 2023	**37.2**	**817.8**	**0.3**	**687.9**	**1,543.2**

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

1. Company accounting policies

(a) Basis of preparation

The financial statements have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ('FRS 101'). The financial statements have been prepared on a going concern basis under the historical cost convention, in accordance with the Companies Act 2006.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of UK-adopted international accounting standards (IFRS), but makes amendments where necessary in order to comply with the Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The exemptions that have been applied in the preparation of these financial statements are as follows:

- A cash flow statement and related notes have not been presented.
- Disclosures in respect of new standards and interpretations that have been issued but which are not yet effective have not been provided.
- Disclosures in respect of transactions with wholly-owned subsidiaries have not been made.
- Certain disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instruments: Disclosures have not been made.
- Paragraphs 45(b) and 46 to 52 of IFRS 2 Share-based payment (details of the number and weighted average exercise prices of share options, and how the fair value of goods or services received was determined).
- *The requirements of paragraphs 17 and 18A of IAS 24 Related Party Disclosures to disclose key management* personnel compensation.

The Company has taken the exemption allowed under Section 408 of the Companies Act 2006 from the requirement to present its own profit and loss account. The profit for the year was £283.9m (2022: profit of £29.9m). These financial statements present information about the Company as an individual undertaking and not about its Group.

The following accounting policies have been applied consistently in dealing with items that are considered material in relation to the Company's financial statements.

(b) Going concern

The financial statements have been prepared on a going concern basis which the Directors consider to be appropriate for the following reasons.

The Company has net assets of £1,543.2m at 30 September 2023 and has generated a profit for the period then ended of £283.9m. The Directors of Grainger plc manage the Group's strategy and risks on a consolidated basis, rather than at an individual entity level. Similarly, the financial and operating performance of the business is assessed at a Grainger plc operating segment level. For these reasons, the Directors do not prepare cash flow forecasts at an individual entity level.

In making the going concern assessment, on a consolidated basis, the Directors have considered the Group's principal risks and their impact on financial performance. The Directors have assessed the future funding commitments of the Group and compared these to the level of committed loan facilities and cash resources over the medium term. In making this assessment, consideration has been given to compliance with borrowing covenants along with the uncertainty inherent in future financial forecasts and, where applicable, severe sensitivities have been applied to the key factors affecting financial performance for the Group.

Further details of the Group's going concern assessment, including the key assumptions applied, is set out in Note 1(a) on page 131.

Based on these considerations, the Directors continue to adopt a going concern basis in preparing the financial statements for the year ended 30 September 2023.

(c) Investments

Investments in subsidiaries are carried at historical cost less provision for impairment based upon an assessment of the net recoverable amount of each investment. The net recoverable amount is determined by the statutory net assets of the subsidiary, adjusted for fair value movements relating to trading property which is held at cost, as well as an associated deferred tax charge on the fair value adjustments. This approach provides the most relevant indication of the net recoverable amount of a subsidiary as it provides a fair value net asset position as at the date of assessment. To the extent that the assessment of the recoverable amount improves due to changes in economic conditions or estimates, impairment provisions are reversed, with all provision movements recognised in profit and loss.

(d) Tax

Corporation tax is provided on taxable profits or losses at the current rate

Deferred tax is recognised in respect of all temporary differences that have originated but not reversed at the end of the reporting period, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at that date.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the temporary differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is measured on a non-discounted basis.

(e) Own shares including treasury shares

Transactions of The Grainger Employee Benefit Trusts are included in the Company's financial statements. The purchase of shares in the Company by each trust and any treasury shares bought back by the Company are debited direct to equity.

(f) Share-based payments

Under the share-based compensation arrangements set out in Note 30 to the Group financial statements, employees of Grainger Employees Limited have been awarded options and conditional shares in the Company These share-based arrangements have been treated as equity-settled in the consolidated financial statements. In the Company's financial statements, the share-based payment charge has been added to the cost of investment in subsidiaries with a corresponding adjustment to equity

(g) Borrowings

Borrowings are initially recognised at the fair value of consideration received, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the statement of financial position date.

2. *Investments*

Cost of investment	2023 £m	2022 £m
At 1 October	**2,750.0**	1,302.3
Additions	**1,032.3**	1,447.7
Disposals	**(23.7)**	–
At 30 September	**3,758.6**	2,750.0

Impairment	2023 £m	2022 £m
At 1 October	**965.4**	75.5
Additional provisions	**461.0**	890.0
Reversal of impairment provisions	**(3.7)**	(0.1)
At 30 September	**1,422.7**	965.4
Net carrying value	**2,335.9**	1,784.6

The Directors believe that the carrying value of the investments is supported by their recoverable amount which reflects the fair value of the property portfolio. The recoverable amount is not regarded as a significant estimate in itself as it is based on the underlying valuation of the property portfolio. The impact of changes to key assumptions to the valuation of the property portfolio is shown in note 2 of the group financial statements.

Additions and disposals during the year principally relate to ongoing internal restructuring of the Company's subsidiary undertakings After an assessment of recoverable amounts a net impairment of £457.3m (2022: £889.9m) has been made The most significant element of the overall net impairment was an impairment of £334.8m which resulted from a reduction in the net assets of Grainger Finance Company Limited following distributions made in the year.

A list of the subsidiaries of the Company is contained within Note 9 on pages 173 to 174.

3. Trade and other receivables

	2023 £m	2022 £m
Amounts owed by Group undertakings	**23.3**	323.4
Other receivables	**0.5**	0.6
	23.8	324.0

Amounts due in both 2023 and 2022 are all due within one year. The Company's assessment of expected credit losses on amounts owed by Group undertakings is not considered to be an area of significant judgement or estimation due to sufficient liquidity in the Group. As such, there is no expectation of any material credit losses at the balance sheet date.

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS
(CONTINUED)

4. Creditors: amounts falling due within one year

	2023 £m	2022 £m
Amounts owed to Group undertakings	**39.7**	–
Accruals and deferred income	**8.6**	8.3
	48.3	8.3

Amounts owed to Group undertakings relates to an unsecured loan with a year end balance of £39.7m (2022: balance of £303.9m owed to the Company). The loan bears interest at a weighted rate of 4.48% (2022: 4.36%) in the year and is repayable on demand. Interest receivable for the year amounted to £6.6m (2022: £2.2m).

5. Interest-bearing loans and borrowings

	2023 £m	2022 £m
Variable rate – loans	**140.0**	140.0
Unamortised issue costs	**(2.6)**	(2.4)
	137.4	137.6
Corporate bonds	**700.0**	700.0
Unamortised issue costs	**(2.9)**	(3.5)
	697.1	696.5
Unamortised bond discount	**(1.9)**	(2.2)
Total interest-bearing loans and borrowings	**832.6**	831.9

The variable rate loans are secured by floating charges over the assets of the Group. The loans bear interest at rates between 1.5% and 1.8% over SONIA.

In 2018, the Group issued a ten-year £350.0m corporate bond at 3.375% due April 2028. In 2020, the Group issued a ten-year £350.0m corporate bond at 3.0% due July 2030.

As at 30 September 2023 unamortised costs in relation to the corporate bonds stood at £2.9m (2022: £3.5m), and the outstanding discount was £1.9m (2022: £2.2m).

6. Issued share capital

	2023 £m	2022 £m
Allotted, called-up and fully paid		
743,042,056 (2022: 742,921,734) ordinary shares of 5p each	**37.2**	37.1

Details of movements in issued share capital during the year and the previous year are provided in Note 29 to the Group financial statements on page 163.

Details of share options and awards granted by the Company are provided in Note 30 to the Group financial statements on pages 163 to 166 and discussed within the Remuneration Committee's report on pages 93 to 111.

7. Contingent liabilities

The Company has guaranteed the debts and liabilities of certain of its subsidiaries as at 30 September 2023 in accordance with Section 479C of the Companies Act 2006 as detailed in Note 33 to the Group financial statements on page 166. The Company has assessed the probability of loss under the guarantees as remote.

8. Other information

Dividends

The Company's dividend policy is aligned to our strategy to grow rental income, with 50% of net rental income being distributed. Around one-third of the payment is made through the interim dividend based on half year results, with the balance paid through the final dividend, subject to approval at the AGM. The Company has distributable reserves of £650.1m to support this policy. Information on dividends paid and declared is given in Note 14 to the Group financial statements on page 145.

Subject to approval at the AGM, the final dividend of 4.37p per share (gross) amounting to £32.2m will be paid on 14 February 2024 to Shareholders on the register at the close of business on 29 December 2023. Shareholders will again be offered the option to participate in a dividend reinvestment plan and the last day for election is 24 January 2024. An interim dividend of 2.28p per share amounting to a total of £16.9m was paid to Shareholders on 3 July 2023.

Auditor's remuneration

Amounts receivable by the Company's auditor and its associates in respect of services to the Company and its associates, other than the audit of the Company's financial statements, have not been disclosed as the information is required instead to be disclosed on a consolidated basis in the consolidated financial statements.

Directors' share options and share awards

Details of the Directors' share options and of their share awards are set out in the Remuneration Committee's report.

9. List of subsidiaries, associates and joint ventures

A full list of the Group's subsidiaries as at 30 September 2023 is set out below.

Company	% effective holding	Direct/ Indirect
Broxden House, Lamberkine Drive, Perth, PH1 1RA		
Faside Estates Limited	*100%*	*Indirect*
Langwood Properties Limited[1,2]	100%	Indirect
Citygate, St James' Boulevard, Newcastle upon Tyne, NE1 4JE		
19 Ifield Road Management Limited[2]	100%	Indirect
36 Finborough Road Management Limited	100%	Indirect
45 Ifield Road Management Limited	67%	Indirect
Atlantic Metropolitan (U.K.) Limited	100%	Direct
BPT (Assured Homes) Limited	100%	Indirect
BPT (Bradford Property Trust) Limited	100%	Indirect
BPT (Residential Investments) Limited	100%	Indirect
BPT Limited	100%	Direct
Berewood Estate Management Limited[1,2]	100%	Indirect
Brierley Green Management Company Limited	100%	Indirect
Bromley Property Holdings Limited	100%	Direct
Bromley Property Investments Limited	100%	Indirect
Cambridge Place Management Company Limited[2]	100%	Indirect
Chrisdell Limited[2]	100%	Indirect
City North 5 Limited	100%	Indirect
City North Group Limited[2]	100%	Direct
City North Properties Limited[2]	100%	Indirect
Connected Living London Limited	100%	Indirect
Crofton Estate Management Company Limited[2]	100%	Indirect
Crossco (No. 103) Limited	100%	Indirect
Derwent Developments (Curzon) Limited	100%	Indirect
Derwent Developments Limited	100%	Indirect
Frincon Holdings 1986 Limited[2]	100%	Indirect
GIP Limited	100%	Indirect
Globe Brothers Estates Limited[2]	100%	Indirect
Grainger (Aldershot) Limited	100%	Indirect
Grainger (Clapham) Limited	100%	Indirect
Grainger (Hallsville) Limited	100%	Indirect
Grainger (Hallsville Block D1) Limited	100%	Indirect
Grainger (Hallsville Residential) Limited	100%	Indirect
Grainger (Hornsey) Limited	100%	Indirect
Grainger (London) Limited[2]	100%	Direct
Grainger (Octavia Hill) Limited	100%	Indirect
Grainger (Peachey) Limited[2]	100%	Indirect
Grainger Asset Management Limited	100%	Indirect
Grainger Bradley Limited	100%	Indirect
Grainger Development Management Limited	100%	Indirect
Grainger Developments Limited	100%	Indirect
Grainger Employees Limited	100%	Direct
Grainger Enfranchisement No. 1 (2012) Limited	100%	Indirect
Grainger Enfranchisement No. 2 (2012) Limited[2]	100%	Indirect
Grainger Europe (No. 3) Limited[2]	100%	Indirect
Grainger Europe (No. 4) Limited	100%	Direct
Grainger European Ventures Limited Liability Partnership[2]	100%	Indirect
Grainger Europe Limited	100%	Direct
Grainger Finance (Tricomm) Limited	100%	Indirect
Grainger Finance Company Limited	100%	Direct
Grainger Homes (Gateshead) Limited	100%	Indirect
Grainger Homes Limited	100%	Indirect
Grainger Housing & Developments Limited	100%	Indirect
Grainger Invest (No. 1 Holdco) Limited	*100%*	*Indirect*
Grainger Invest No.1 Limited Liability Partnership	100%	Indirect
Grainger Invest No 2 Limited Liability Partnership	100%	Indirect
Grainger Kensington & Chelsea Limited	100%	Direct
Grainger Land & Regeneration Limited	100%	Indirect
Grainger Maidenhead Limited	100%	Indirect
Grainger Newbury Limited	100%	Indirect
Grainger OCCC Limited	100%	Indirect
Grainger Pearl Holdings Limited	100%	Indirect
Grainger Pearl Limited	100%	Indirect
Grainger Pearl (Salford) Limited	100%	Indirect
Grainger Properties Limited	100%	Indirect
Grainger PRS Limited[2]	100%	Indirect
Grainger RAMP Limited	100%	Indirect
Grainger Real Estate Limited	100%	Indirect
Grainger REIT 1 Limited	100%	Indirect
Grainger REIT 2 Limited	100%	Indirect
Grainger REIT 3 Limited	100%	Indirect
Grainger Residential Limited	100%	Indirect
Grainger Residential Management Limited	100%	Direct
Grainger Seven Sisters Limited	100%	Indirect
Grainger Southwark Limited	100%	Indirect
Grainger Treasury Property Investments Limited Partnership	100%	Indirect
Grainger Treasury Property (2006) Limited Liability Partnership	100%	Indirect
Grainger Tribe Limited	100%	Indirect
Grainger Trust Limited	100%	Indirect
Grainger Unitholder No 1 Limited	100%	Direct
Greit Limited	100%	Direct
GRIP REIT PLC	100%	Indirect
GRIP UK Holdings Limited	100%	Indirect
GRIP UK Property Developments Limited	100%	Indirect
GRIP UK Property Investments Limited	100%	Indirect
H I Tricomm Holdings Limited[2]	100%	Indirect
Harborne Tenants Limited[2]	100%	Indirect
Infrastructure Investors Defence Housing (Bristol) Limited[2]	100%	Indirect
Ingleby Court Management Limited[2]	100%	Indirect
Jesmond Place Management Limited[2]	70%	Indirect
Kings Dock Mill (Liverpool) Management Company Limited[2]	100%	Indirect
Macaulay & Porteus Management Company Limited[1,2]	100%	Indirect
Manor Court (Solihull) Management Limited[2]	100%	Indirect
Margrave Estates Limited	100%	Indirect
MREF III Newcastle Operations Limited	100%	Indirect
N & D London Investments[2]	100%	Indirect
N & D London Limited[2]	100%	Indirect
Northumberland & Durham Property Trust Limited	100%	Indirect
PHA Limited	100%	Indirect
Portland House Holdings Limited	100%	Indirect
Residential Leases Limited	100%	Indirect
Residential Tenancies Limited[2]	100%	Indirect

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS
(CONTINUED)

Company	% effective holding	Direct/ Indirect
Citygate, St James' Boulevard, Newcastle upon Tyne, NE1 4JE		
Rotation Finance Limited	100%	Direct
Suburban Homes Limited[2]	100%	Indirect
The Bradford Property Trust Limited[2]	100%	Indirect
The Sandwarren Management Company Limited[2]	100%	Indirect
Tricomm Housing (Holdings) Limited	100%	Indirect
Tricomm Housing Limited	*100%*	*Indirect*
Victoria Court (Southport) Limited[2]	100%	Indirect
Wansbeck Lodge Management Limited[2,3]	100%	Indirect
Warren Court Limited	100%	Indirect
West Waterlooville Developments Limited	100%	Indirect
Eschersheimer Landstraße 14, 60322 Frankfurt am Main		
Grainger FRM GmbH	100%	Indirect
6th Floor, 9 Appold Street, London, EC2A 2AP		
Bromley No 1 Holdings Limited[2]	100%	Indirect
Bromley No 1 Limited[2,3]	100%	Indirect
Derwent Nominees (No 2) Limited[2,3]	100%	Indirect
Frincon Holdings Limited[2,3]	100%	Indirect
Grainger (Hadston) Limited[2,3]	100%	Indirect
Grainger K&C Lettings Limited[2,3]	100%	Indirect
Grainger Pimlico Limited[2]	100%	Direct
Grainger Property Services Limited[2]	100%	Indirect
N & D Properties (Midlands) Limited[2,3]	100%	Direct
Park Developments (Liverpool) Limited	100%	Indirect
Park Estates (Liverpool) Limited	100%	Indirect
Park Estates Investments (Liverpool) Limited[2,3]	*100%*	*Indirect*
The Owners of the Middlesbrough Estate Limited[2,3]	100%	Indirect
Warwick Square Management Company Limited[2,3]	100%	Indirect
218 Finney Lane, Heald Green, Cheadle, SK8 3QA		
Oakleigh House (Sale) Management Company Limited	69%	Indirect

A full list of the Group's associates as at 30 September 2023 is set out below:

Company	% effective holding	Direct/ Indirect
1a Dorchester Court, Greenlands Road, Staines, TW18 4LS		
Dorchester Court (Staines) Residents Association Limited	6%	Indirect
8 Five Acres, Kings Langley, Hertfordshire, WD4 9JU		
Trevor Square Garden Management Company Limited	7%	Indirect
31 Radipole Road, Parsons Green, Fulham, London, SW6 5DN		
Stagestar Limited[2]	25%	Indirect
33 Albert Square, London, SW8 1BZ		
33 Albert Square Management Company Limited	25%	Indirect
Citygate, St James' Boulevard, Newcastle upon Tyne, NE1 4JE		
Sixty-Two Stanhope Gardens Limited	20%	Indirect
Vesta (General Partner) Limited	30%	Indirect
Vesta Limited Partnership	20%	Indirect
Portmill House, Portmill Lane, Hitchin, SG5 1DJ		
Redoubt Close Management Limited	3%	Indirect

A full list of the Group's joint ventures as at 30 September 2023 is set out below

Company	% effective holding	Direct/ Indirect
100 Victoria Street, London, SW1E 5JL		
Curzon Park Limited	50%	Indirect
16a Castlebar Road, London, W5 2DP		
16 Castlebar Road Management Company Limited[2]	50%	Indirect
Citygate, St James' Boulevard, Newcastle upon Tyne, NE1 4JE		
1 Ifield Road Management Limited	50%	Indirect
31-37 Disbrowe Road Freehold Company Limited	50%	Indirect
174 Bishops Road Limited[2]	50%	Indirect
Besson Street Limited Liability Partnership	50%	Indirect
Besson Street Second Member Limited	50%	Indirect
Connected Living London (BTR) Limited	51%	Indirect
Connected Living London (RP) Limited	51%	Indirect
Connected Living London (Limmo) Limited	*51%*	*Indirect*
Connected Living London (Southall) Limited	51%	Indirect
Connected Living London (OpCo) Limited[2]	51%	Indirect
Connected Living London (Nine Elms) Limited	51%	Indirect
Connected Living London (Woolwich) Limited[2]	51%	Indirect
Connected Living London (Arnos Grove) Limited	*51%*	*Indirect*
Connected Living London (Cockfosters) Limited	51%	Indirect
Connected Living London (Mortford Place) Limited	51%	Indirect
Lewisham Grainger Holdings Limited Liability Partnership[2]	50%	Indirect
Sandown (Whitley Bay) Management Limited	51%	Indirect
Wellesley Residents Trust Limited	50%	Indirect

All subsidiaries, associates and joint ventures are incorporated in the UK except where the registered office indicates otherwise

1 Company limited by guarantee
2 Company is inactive
3 In liquidation

EPRA PERFORMANCE MEASURES (UNAUDITED)

1. Introduction

The European Public Real Estate Association ('EPRA') is the body that represents Europe's listed property companies. The association sets out guidelines and recommendations to facilitate consistency in listed real estate reporting, in turn allowing stakeholders to compare companies on a like-for-like basis. As a member of EPRA, the Group is supportive of EPRA's initiatives and discloses measures in relation to the EPRA Best Practices Recommendations ('EPRA BPR') guidelines. The most recent guidelines, updated in February 2022, have been adopted by the Group.

The EPRA performance measures and definitions are set out below.

Performance measure	Definition
1) EPRA Earnings	Recurring earnings from core operational activities. This is a key measure of a company's underlying operating results, providing an indication of the extent to which current dividend payments are supported by earnings
2) EPRA NRV	Net asset value adjusted to include properties and other investment interests at fair value and to exclude certain items not expected to crystallise in a long-term property business model
3) EPRA NTA	EPRA NRV adjusted to include deferred tax on assets that may be sold by the business and exclude intangible assets.
4) EPRA NDV	EPRA NRV adjusted to include the fair values of i) financial instruments, ii) debt and iii) deferred taxes. EPRA NDV excludes goodwill recognised on a company's statutory balance sheet
5i) EPRA Net Initial Yield ('NIY')	Annualised rental income based on cash rents at the balance sheet date, less non-recoverable property expenses, divided by the market value of the property, increased with (estimated) purchasers' costs
5ii) EPRA 'topped-up' NIY	This measure incorporates an adjustment to EPRA NIY in respect of the expiration of rent-free periods *(or other unexpired lease incentives, such as discounted rent periods and step rents)*
6) EPRA Vacancy Rate	Estimated Market Rent Value ('ERV') of vacant space divided by ERV of the whole portfolio
7) EPRA Cost Ratios	This measure includes all administrative and operating expenses including share of joint ventures' overheads and operating expenses, net of any service fees, all divided by gross rental income
8) EPRA LTV	This measure includes all capital which is not equity as debt, irrespective of its IFRS classification, and is based upon proportional consolidation, therefore including a company's share in the net debt and net assets of joint ventures and associates. Assets are included at fair value, net debt at nominal value

Summary

	2023	2022
EPRA Earnings	**£39.8m**	£28.2m
EPRA Earnings per share	**4.2p**	3.1p
EPRA NRV	**£2,359.3m**	£2,470.6m
EPRA NRV per share	**318p**	333p
EPRA NTA	**£2,267.5m**	£2,359.0m
EPRA NTA per share	**305p**	317p
EPRA NDV	**£2,332.9m**	£2,483.0m
EPRA NDV per share	**314p**	334p
EPRA Net Initial Yield ('NIY')	**3.1%**	2.9%
Adjusted EPRA NIY	**3.8%**	3.6%
EPRA 'topped-up' NIY	**3.1%**	2.9%
Adjusted EPRA 'topped-up' NIY	**3.9%**	3.6%
EPRA Vacancy Rate	**1.6%**	2.1%
EPRA Cost Ratio (including direct vacancy costs)	**34.1%**	34.0%
EPRA Cost Ratio (excluding direct vacancy costs)	**32.9%**	33.5%
EPRA LTV	**40.0%**	36.0%
Capital Expenditure	**£345.9m**	£353.5m

EPRA PERFORMANCE MEASURES (UNAUDITED) (CONTINUED)

2. EPRA Earnings

	2023			2022		
	Earnings £m	Shares millions	Pence per share	Earnings £m	Shares millions	Pence per share
Earnings per IFRS income statement	**27.4**	**742.4**	**3.7**	298.6	743.1	40.1
Adjustments to calculate EPRA Earnings, exclude:						
i) Changes in value of investment properties, development properties held for investment and other interests	**68.9**	–	**9.3**	(211.4)		(28.4)
ii) *Profits or losses on disposal of investment properties,* development properties held for investment and other interests	**(3.3)**	–	**(0.4)**	(1.7)	–	(0.2)
iii) Profits or losses on sales of trading properties including impairment charges in respect of trading properties	**(53.8)**	–	**(7.3)**	(65.9)	–	(8.9)
iv) Tax on profits or losses on disposals	–	–	–	–	–	–
v) Negative goodwill/goodwill impairment	**0.1**	–	–	–	–	–
vi) Changes in fair value of financial instruments and associated close-out costs	–	–	–	–	–	–
vii) Acquisition costs on share deals and non-controlling joint venture interests	–	–	–	–	–	–
viii) Deferred tax in respect of EPRA adjustments	–	–	–	–	–	–
ix) Adjustments i) to viii) in respect of joint ventures	**0.5**	–	**0.1**	(0.9)	–	(0.1)
x) *Non-controlling interests in respect of the above*	–	–	–	–	–	–
xi) Other adjustments in respect of adjusted earnings	–	–	–	9.5	–	1.3
EPRA Earnings/Earnings per share	**39.8**	**742.4**	**5.4**	28.2	743.1	3.6
EPRA *Earnings per share after tax*			**4.2**			3.1

EPRA Earnings have been divided by the average number of shares shown in Note 15 to the Group financial statements to calculate earnings per share. EPRA Earnings per share after tax is calculated using the standard rate of UK Corporation Tax of 22.0% (2022: 19.0%).

3. EPRA NRV, EPRA NTA and EPRA NDV

	2023			2022		
	EPRA NRV £m	EPRA NTA £m	EPRA NDV £m	EPRA NRV £m	EPRA NTA £m	EPRA NDV £m
IFRS Equity attributable to Shareholders	**1,928.6**	**1,928.6**	**1,928.6**	1,966.8	1,966.8	1,966.8
Include/Exclude:						
i) Hybrid instruments	–	–	–	–	–	–
Diluted NAV	**1,928.6**	**1,928.6**	**1,928.6**	1,966.8	1,966.8	1,966.8
Include:						
ii a) Revaluation of IP (if IAS 40 cost option is used)	–	–	–	–	–	–
ii b) Revaluation of IPUC (if IAS 40 cost option is used)	–	–	–	–	–	–
ii c) Revaluation of other non-current investments	**11.6**	**11.6**	**11.6**	5.1	5.1	5.1
iii) Revaluation of tenant leases held as finance leases	–	–	–	–	–	
iv) Revaluation of trading properties	**347.3**	**256.5**	**256.5**	425.5	314.4	314.4
Diluted NAV at Fair Value	**2,287.5**	**2,196.7**	**2,196.7**	2,397.4	2,286.3	2,286.3
Exclude:						
v) Deferred tax in relation to fair value gains of IP	**105.8**	**105.8**	–	115.6	115.6	–
vi) Fair value of financial instruments	**(34.0)**	**(34.0)**	–	(42.4)	(42.4)	–
vii) Goodwill as a result of deferred tax	–	–	–	–	–	–
viii a) Goodwill as per the IFRS balance sheet	–	**(0.4)**	**(0.4)**	–	(0.5)	(0.5)
viii b) Intangible as per the IFRS balance sheet	–	**(0.6)**	–	–	–	–
Include:						
ix) Fair value of fixed interest rate debt	–	–	**136.6**	–	–	197.2
x) Revalue of intangibles to fair value	–	–	–	–	–	–
xi) Real estate transfer tax	–	–	–	–	–	–
NAV	**2,359.3**	**2,267.5**	**2,332.9**	2,470.6	2,359.0	2,483.0
Fully diluted number of shares	**743.0**	**743.0**	**743.0**	742.9	742.9	742.9
NAV pence per share	**318**	**305**	**314**	333	317	334

4. EPRA NIY

		2023 £m	2022 £m
Investment property – wholly-owned		**2,948.9**	2,775.9
Investment property – share of JVs/Funds		**65.6**	32.4
Trading property (including share of JVs)		**734.3**	873.0
Less: developments		**(617.1)**	(664.8)
Completed property portfolio		**3,131.7**	3,016.5
Allowance for estimated purchasers' costs		**125.2**	121.9
Gross up completed property portfolio valuation	B	**3,256.9**	3,138.4
Annualised cash passing rental income		**140.1**	124.8
Property outgoings		**(39.1)**	(33.9)
Annualised net rents	A	**101.0**	90.9
Add: rent incentives		**0.3**	0.2
'Topped up' net annualised rent	C	**101.3**	91.1
EPRA NIY	A/B	**3.1%**	2.9%
EPRA 'topped up' NIY	C/B	**3.1%**	2.9%
Gross up completed property portfolio valuation		**3,256.9**	3,138.4
Adjustments to completed property portfolio in respect of regulated tenancies and share of joint ventures		**(740.9)**	(863.8)
Adjusted gross up completed property portfolio valuation	b	**2,516.0**	2,274.6
Annualised net rents		**101.0**	90.9
Adjustments to annualised cash passing rental income in respect of newly completed developments and refurbishment activity		**11.2**	6.6
Adjustments to property outgoings in respect of newly completed developments and refurbishment activity		**(3.2)**	(1.9)
Adjustments to annualised cash passing rental income in respect of regulated tenancies		**(17.0)**	(18.9)
Adjustments to property outgoings in respect of regulated tenancies		**4.7**	5.1
Adjusted annualised net rents	a	**96.7**	81.8
Add: rent incentives		**0.3**	0.2
Adjusted EPRA 'topped up' NIY	c	**97.0**	82.0
Adjusted EPRA NIY	a/b	**3.8%**	3.6%
Adjusted EPRA 'topped up' NIY	c/b	**3.9%**	3.6%

5. EPRA Vacancy Rate

		2023 £m	2022 £m
Estimated rental value of vacant space	A	**1.8**	2.0
Estimated rental value of the whole portfolio	B	**112.7**	95.7
EPRA Vacancy Rate	A/B	**1.6%**	2.1%

The vacancy rate reflects estimated rental values of the Group's stabilised habitable PRS units as at the reporting date.

6. EPRA Cost Ratio

		2023 £m	2022 £m
Administrative expenses		**33.5**	31.8
Property operating expenses		**37.2**	35.1
Share of joint ventures expenses		**(0.1)**	1.4
Management fees		**(3.2)**	(2.7)
Other operating income/recharges intended to cover overhead expenses		**(1.8)**	(1.7)
Exclude:			
Investment property depreciation		**–**	–
Ground rent costs		**(0.2)**	(0.2)
EPRA Costs (including direct vacancy costs)	A	**65.4**	63.7
Direct vacancy costs		**(2.2)**	(2.3)
EPRA Costs (excluding direct vacancy costs)	B	**63.2**	61.4
Gross rental income		**133.7**	121.4
Less: ground rent income		**(0.6)**	(0.6)
Add: share of joint ventures (gross rental income less ground rents)		**0.8**	0.7
Add: adjustment in respect of profits or losses on sales of properties		**58.1**	66.1
Gross Rental Income and Trading Profits	C	**192.0**	187.6
Adjusted EPRA Cost Ratio (including direct vacancy costs)	A/C	**34.1%**	34.0%
Adjusted EPRA Cost Ratio (excluding direct vacancy costs)	B/C	**32.9%**	32.7%

EPRA PERFORMANCE MEASURES (UNAUDITED) (CONTINUED)

7. EPRA LTV

		2023			
£m		Group	Share of Joint Ventures	Share of Associates	Combined
Borrowings from Financial Institutions		849.2	–	–	849.2
Bond loans		700.0	–	–	700.0
Net payables		93.6	6.7	14.6	114.9
Exclude:					
Cash and cash equivalents		(117.8)	(3.5)	(0.5)	(121.8)
Net debt	A	1,525.0	3.2	14.1	1,542.3
Investment properties at fair value		2,433.4	–	15.4	2,448.8
Investment properties under development		515.5	50.3	–	565.8
Properties held for sale		734.3	–	–	734.3
Financial assets		109.9	–	–	109.9
Total property value	B	3,793.1	50.3	15.4	3,858.8
EPRA LTV %	A/B	40.2%	6.4%	91.6%	40.0%

		2022			
£m		Group	Share of Joint Ventures	Share of Associates	Combined
Borrowings from Financial Institutions		674.2	–	–	674.2
Bond loans		700.0	–	–	700.0
Net payables		67.6	6.0	14.9	88.5
Exclude:					
Cash and cash equivalents		(95.4)	(2.7)	(1.1)	(99.2)
Net debt	A	1,346.4	3.3	13.8	1,363.5
Investment properties at fair value		2,197.7	–	15.9	2,213.6
Investment properties under development		578.2	16.5	–	594.7
Properties held for sale		873.0	–	–	873.0
Financial assets		109.0	–	–	109.0
Total property value	B	3,757.9	16.5	15.9	3,790.3
EPRA LTV %	A/B	35.8%	20.0%	86.8%	36.0%

8. Capital Expenditure

	2023				
£m	*Trading* Properties	*Investment* Properties	Group *(excl Joint* Ventures)	*Share of Joint* Ventures	Combined
Acquisitions	–	9.8	9.8	–	9.8
Development	5.9	255.9	261.8	33.3	295.1
Completed assets					
– Incremental letting space	–	–	–	–	–
– No incremental letting space	2.7	20.4	23.1	–	23.1
– Tenant incentives	–	–	–	–	–
– Other material non-allocated types of expenditure	–	–	–	–	–
Capitalised interest	1.6	15.9	17.5	0.4	17.9
Total Capital Expenditure	10.2	302.0	312.2	33.7	345.9

	2022				
£m	Trading Properties	Investment Properties	Group (excl Joint Ventures)	Share of Joint Ventures	Combined
Acquisitions	0.1	14.4	14.5	–	14.5
Development	49.5	253.6	303.3	5.4	308.7
Completed assets					
– Incremental letting space	–	–	–	–	–
– No incremental letting space	8.8	9.2	18.0	–	18.0
– Tenant incentives	–	–	–	–	–
– Other material non-allocated types of expenditure	–	–	–	–	
Capitalised interest	0.2	11.8	12.0	0.3	12.3
Total Capital Expenditure	58.6	289.2	347.8	5.7	353.5

FIVE YEAR RECORD (UNAUDITED)
FOR THE YEAR ENDED 30 SEPTEMBER 2023

	2019 £m	2020[1] £m	2021 £m	2022 £m	**2023 £m**
Group revenue	222.8	214.0	248.9	279.2	**267.1**
Gross proceeds from property sales	193.1	144.1	187.9	174.7	**193.7**
Gross rental income	85.9	99.3	97.4	121.4	**133.7**
Net rental income	63.5	73.6	70.6	86.3	**96.5**
Gross fee income	3.8	2.2	2.6	2.7	**3.2**
Adjusted earnings	82.5	81.8	83.5	93.5	**97.6**
Profit before tax	131.3	99.1	152.1	298.6	**27.4**
Profit after tax	114.9	82.8	109.5	229.4	**25.6**
Dividends paid	25.2	33.5	36.8	40.0	**45.7**
	Pence	Pence	Pence	Pence	**Pence**
Basic earnings per share	19.9	12.8	16.2	31.0	**3.5**
Dividends per share	5.2	5.5	5.2	6.0	**6.7**
	Pence	Pence	Pence	Pence	**Pence**
EPRA NRV per share	296.7	301.0	316.4	332.6	**317.5**
EPRA NTA per share	278.3	284.7	297.2	317.5	**305.2**
EPRA NDV per share	271.5	272.8	284.2	334.2	**314.0**
Share price at 30 September	246.0	297.2	305.0	229.4	**233.6**
	%	%	%	%	**%**
Total Accounting Return – NTA basis	3.7	3.6	5.5	8.8	**(1.8)**
Total Property Return ('TPR')	5.0	5.4	7.5	7.5	**0.4**

1 The 2020 results in the table above have been restated in order to be comparable with 2021 results following the April 2021 IFRS Interpretations Committee publication of accounting guidance for configuration and customisation expenditure relating to Software as a Service arrangements. All other years are as previously reported and have not been restated.

ALTERNATIVE PERFORMANCE MEASURES
FOR THE YEAR ENDED 30 SEPTEMBER 2023

Performance measure	Definition
Loan to Value ('LTV')	Ratio of net debt to the market value of properties and property related assets. This is a key metric for the Group as part of measuring gearing at both an overall Group and individual facility level, linked to both our risk appetite and individual facility covenants

	2023 £m	2022 £m
Gross debt	**1,533.5**	1,357.6
Cash (excluding client cash)	**(117.8)**	(95.4)
Net debt	**1,415.7**	1,262.2
Market value of properties	**3,683.2**	3,648.9
Other property related assets	**161.5**	127.8
Total market value of properties and property related assets	**3,844.7**	3,776.7
LTV	**36.8%**	33.4%

Performance measure	Definition
Total Property Return ('TPR')	A performance measure which represents the change in gross asset value, net of capital expenditure incurred, plus property related net income, expressed as a percentage of opening gross asset value. This is a key metric for the Group in measuring the overall performance of property returns on the Group's property assets with LTIP conditions linked to the performance of this metric as outlined in the Directors' Remuneration report

	2023 £m	2022 £m
Net rental income	**96.5**	86.3
Liquidated and ascertained damages 'LAD's'	**1.6**	1.1
Profit on disposal of trading property	**54.8**	64.4
Previously recognised profit through EPRA market value measures	**(54.0)**	(61.1)
Profit on disposal of investment property	**3.3**	1.7
Income from financial interest in property assets	**4.6**	6.0
Net valuation (losses)/gains on investment property	**(68.8)**	129.0
Net valuation gains on trading property	**(24.2)**	26.0
Property return	**13.8**	253.4
Investment property – opening balance	**2,775.9**	2,179.2
Financial interest in property assets – opening balance	**69.1**	71.7
Inventories – trading property – opening balance	**873.0**	1,130.7
Total opening gross assets	**3,718.0**	3,381.6
TPR	**0.4%**	7.5%

SHAREHOLDERS' INFORMATION

Financial calendar

AGM	7 February 2024
Payment of 2023 final dividend	14 February 2024
Announcement of 2024 interim results	16 May 2024
Announcement of 2024 final results	21 November 2024

Share price

During the year ended 30 September 2023, the range of the closing mid-market prices of the Company's ordinary shares were:

Price at 30 September 2023	233.6p
Lowest price during the year	205.4p
Highest price during the year	271.8p

Daily information on the Company's share price can be obtained on our website www.graingerplc.co.uk or by telephone from FT Cityline on 09058 171 690 Please note that FT Cityline is a chargeable service.

Capital gains tax

The market value of the Company's shares for capital gains tax purposes at 31 March 1982 was 2.03p.

Website

Website address **www.graingerplc.co.uk**

Shareholders' enquiries

All administrative enquiries relating to shareholdings (for example, notification of change of address, loss of share certificates, dividend payments) should be addressed to the Company's registrar at:

Link Group
Central Square
10th Floor
29 Wellington Street
Leeds
LS1 4DL

Share dealing service

A share dealing service is available to existing Shareholders to buy or sell the Company's shares via Link Share Dealing Services Online and telephone dealing facilities provide an easy to access and simple to use service.

For further information on this service, or to buy or sell shares, please contact: **https://ww2.linkgroup.eu/share-deal/** – online dealing **+44 (0) 371 664 0445** (calls are charged at the standard geographical rate and will vary by provider. Calls outside the UK are charged at the applicable international rate Lines are open Monday to Friday, 8am to 4 30pm) – telephone dealing.

Please note that the Directors of the Company are not seeking to encourage Shareholders to either buy or sell their shares. Shareholders in any doubt as to what action to take are recommended to seek financial advice from an independent financial adviser authorised by the Financial Services and Markets Act 2000.

Company Secretary and registered office

Adam McGhin
Grainger plc Citygate
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Company registration number **125575**

GLOSSARY OF TERMS

Adjusted earnings
Profit before tax before valuation movements and other adjustments that are considered to be one-off in nature, which do not form part of the normal on-going revenue or costs of the business.

Cap
Financial instrument which, in return for a fee, guarantees an upper limit for the interest rate on a loan.

CHARM
The CHARM portfolio is a financial interest in equity mortgages held by the Church of England Pensions Board as mortgagee

Contingent tax
The amount of tax that would be payable should trading property be sold at the market value shown in the market value balance sheet.

Dividend cover
Earnings per share divided by dividends per share.

Earnings Per Share ('EPS')
Profit after tax attributable to Shareholders divided by the weighted average number of shares in issue in the year.

European Public Real Estate Association ('EPRA')
A not-for-profit association with a membership of Europe's leading property companies, investors and consultants which strives to establish best practices in accounting, reporting and corporate governance and to provide high-quality information to investors. EPRA published its latest Best Practices Recommendations in February 2022. Further information, including definitions and measures adopted by Grainger can be found on pages 175 to 178

Estimated Rental Value ('ERV')
The market rental value of lettable space as determined by the Group's external valuers at the balance sheet date. For properties which have not yet reached practical completion, ERV is determined by management's assessment of market rents.

Goodwill
On acquisition of a company, the difference between the fair value of net assets acquired and the fair value of the purchase price paid

Hedging
The use of financial instruments to protect against interest rate movements

Interest cover ratio ('ICR')
Profit on ordinary activities before interest and tax divided by net interest payable

Investment value or market value
Open market value of a property subject to relevant tenancy in place.

Loan to Value ('LTV')
Ratio of net debt to the market value of properties and property related assets. This is the primary gearing metric for the Group.

Net Initial Yield ('NIY')
Annualised net passing rents as a percentage of the property's open market value

Net Rental Income ('NRI')
Gross rental income less property operating expenses, ground rents paid and service charge expenditure

Net Asset Value ('NAV')
Net assets divided by the number of ordinary shares in issue as at the balance sheet date.

Net Tangible Assets ('NTA')
NTA is the market value of property assets after deducting deferred tax on trading assets, and excluding intangible assets and derivatives

Occupancy
The passing rent from PRS stabilised let units as a proportion of PRS stabilised PRI as at a specific point in time.

Passing rent
The annual rental income receivable on a property as at the balance sheet date.

Potential Rental Income ('PRI')
Passing rent from let units plus ERV on vacant units.

Private Rented Sector ('PRS')
Housing tenure classification that relates to residential units owned by the private sector to provide rental accommodation. This excludes units owned by Government authorities and housing associations.

Regulated tenancy
Tenancy regulated under the 1977 Rent Act. Rent (usually sub-market) is set by the rent officer and the tenant has security of tenure.

Stabilised
Classification of existing property, newly completed property or property acquired once it achieves 95% occupancy. Once an asset is designated as stabilised the classification is retained whilst it is held by the Group for future rental income.

Swap
Financial instrument to protect against interest rate movements.

Tenanted residential
Activity covering the acquisition, renting out and subsequent sale (usually on vacancy) of residential units subject to a tenancy agreement.

Total Accounting Return/Return on Shareholder Equity ('ROSE')
The growth in the net asset value of the Group plus dividends paid in the year, calculated as a percentage of the opening net asset value.

Total Property Income Return ('TPIR') / Like-for-like rental growth ('LFL')
The change in gross rental income in a period as a result of tenant renewals or a change in tenant. Applies to changes in gross rents on a comparable basis and excludes the impact of acquisitions, disposals and changes resulting from refurbishments

Total Property Return ('TPR')
A performance measure which represents the change in gross asset value, net of capital expenditure incurred, plus property related net income, expressed as a percentage of opening gross asset value.

Total Shareholder Return ('TSR')
Return attributable to Shareholders on the basis of share price growth with dividends reinvested

UK-adopted IFRS
International Financial Reporting Standards, as adopted by the UK, mandatory for UK-listed companies for accounting periods ending on or after 1 January 2021

Vacant Possession ('VP') value
Open market value of a property free from any tenancy.

Weighted Average Cost of Capital ('WACC')
The weighted average cost of funding the Group's activities through a combination of Shareholders' funds and debt

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