

ESG Report 2023

Environmental,
Social and Governance





Contents

3	Sovereign's ESG in numbers
4	Our ESG priorities
5	Foreword from our CEO
7	Our ESG reporting approach
9	Our ESG KPI dashboard
10	Our Homes and Place standard
12	Our pathway to Net Zero
16	Financing our ESG goals
17	Maximising our social value
20	Equality, diversity and inclusion
22	Sustainability Reporting Standard for social housing
23	Social
27	Environmental
29	Governance
33	In conclusion

Sovereign's ESG in numbers

Our top 5 ESG KPIs



£68m

of social value created



-31%*

reduction in operational carbon emissions on new build only



1,672

new homes delivered in 2023, 94% of which were affordable



60% female 40% male

Gender balance of board



10%

Biodiversity net gain

Our ESG snapshot

Number of properties



61,457

Sovereign pays the



living wage

Governance/viability rating



G1/V2

S&P A+, Moody's A3

EPC B+



1,000

retrofit starts

EPC C or better in



70%

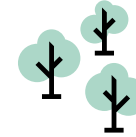
of our existing homes

Market value of assets



£13.4bn

Community investment



£3.5m

with a further £2.6m of external funding secured

Customer service satisfaction



71%

Rents below LHA in



97%

of homes

Our ESG objectives

Net investment over 25 years



over £1bn

to improve quality and meet net zero target

All our homes to meet at least



good

Homes and Place standard

All existing homes retrofitted to meet



EPC B

or better

*against 2022 baseline

Our ESG priorities

Biodiversity impact



We are improving greenspaces to make them high quality places for customers and communities. This means improving biodiversity on or in the vicinity of our developments by up to BNG (biodiversity net gain) of 10%+ as a minimum, and 15%+ wherever possible through our investments and expenditure.

Operational carbon emissions



We have established carbon and cost baselines for our portfolio and commenced delivery of our new future-proofed home specification, along with an ambitious 1,000 home per year whole-house retrofit programme.

When taken together, new-build operational carbon emissions reductions (-31% or more) coupled with EPC B+ existing home retrofit targets, will represent a significant step forward as we map a pathway to net zero.

Equality, diversity and inclusion



Our aspiration is to become sector leading in diversity and inclusion, striving to cultivate a workforce that reflects the diverse communities we serve. Our commitment extends to being a fair and inclusive employer and landlord while also actively advocating for equality, diversity and inclusion (EDI) advancements in our sector and beyond. Achieving this vision relies on the collective involvement of everyone at Sovereign. We are embracing equitable, diverse, and inclusive practices that enhance our understanding of our customers and foster high-performing teams with diverse perspectives. To achieve this, we are transitioning to a leader-led approach, seamlessly integrating EDI into our overall business strategy.

Social value



We maximise social value through initiatives that really matter to our residents and the communities in which they live. We have increased our support to customers through the cost-of-living crisis. We've committed to investing at least £3.5m a year in community projects (or more than 5% of our pre-tax surplus – whichever is bigger) to deliver positive outcomes for our customers and their communities. We track our social value by using HACT's Wellbeing Valuation, and are working closely with HACT on its roadmap to develop new measures and tools to evolve the sector's approach to impact measurement. Last year we generated over £68m of social value.

New homes delivery



We delivered 1,672 homes in the last year, of which 94% were affordable. While economic headwinds mean we have reduced our new build ambitions, we still intend to deliver around 1,500 homes every year, with every property meeting our Homes and Place standard on quality, comfort, safety and efficiency – including being net zero ready. We have also set ourselves a new-build target benchmark this year of Homes and Place Very Good. Our land-led approach will in time make up half of our development programme.

Foreword from our CEO

Our third annual environmental, social and governance (ESG) report comes at a critical time for our sector, and our customers.

Soaring food and energy prices combined with rising interest rates and skills shortages are all taking their toll on low-income households and businesses across the country.

The role of housing associations has never been so crucial, but our capacity to do more with less has been exacerbated by rent caps and a higher interest rate environment. And our failings as a sector around housing quality and damp and mould must be urgently addressed.

At Sovereign, our vision to be the leading landlord in the south of England, providing our customers good affordable homes in thriving and sustainable communities, remains intact in spite of the biggest challenges of our lifetime, from growing inequality, rising demand for quality homes and serviced through to the climate emergency.

This new landscape calls for us to be bold and innovative, embrace an unprecedented level of collaboration, and build even greater financial resilience and capacity to invest in our homes and places to maximise our social impact. That is a key driver for our plan to merge with Network Homes, a leading London housing association, to create one of the largest housing associations in the UK, with over 82,000 homes across the South of England and in London. Together we can build more homes and invest more in the ones we manage and own, so that we deliver more for all of our customers.

In the meantime, we continue on our path to creating a more sustainable future for our residents, and to becoming truly customer-focused through a major programme of regeneration and development.

With all eyes on housing quality, we have seen reports of damp and mould double and this year have proactively managed over 14,000 cases. More and more we are using hardware in customers' homes and data and insights to anticipate problems before they become serious.

We have delivered 1,672 homes in 2022/23, and put our pioneering Homes and Places standard to work on building new types of homes for the first time, making decisions now that will have a lasting and positive effect on our future customers. The Standard also directed our successful bid for the UK government's Social Housing Decarbonisation Fund, which we will deploy not only to meet EPC targets but as a stepping stone on our digital pathway to net zero.

What's more, we have now established a new carbon emissions baseline with a full Scope 1, 2 and 3 inventory, against which we can measure our upstream and downstream emissions reductions on an annual basis. This new emissions baseline, underpinned by detailed carbon modelling and portfolio forecasting, informs our new Streamlined Energy & Carbon (SECR) and Carbon Balance reports, which are essential benchmarks when developing a net zero strategy and the setting of science-based targets. We have also commenced whole-life carbon analysis on our new developments.

Big challenges need strong governance, and we are pleased to have returned to a top G1 rating in June 2023, after addressing issues with historic data relating to health and safety requirements in some communal areas in our blocks. We remained fully compliant in



relation to our customers' homes, but it is a huge credit to colleagues at Sovereign that we put this right so quickly in 2021 and early 2022 and that since then we have put in place a really robust building safety regime.

We believe ESG provides a further layer of scrutiny, helping to demonstrate our progress against these priorities, along with how we are managing the many risks we face; it aims to show our strengths and what's special about Sovereign, but also where we must do and learn more.

We are reporting for a second year against a set of key ESG KPIs, and continue to align our disclosure with the Sustainability Reporting Standard for Social Housing (SRS), which we helped devise and are supporting through its next iteration. We have also aligned our financing and ESG goals too, securing £375m of ESG-linked bank facilities that support our core strategies and are linked to KPIs around homes retrofitted during the year and the social value we generate for our communities each year too.

We hope this report demonstrate to our residents, partners, funders and other key stakeholders that we are on the right track, and doing what we say we will.

Mark Washer
Chief Executive



Helping our customers through the cost-of-living crisis

In a year when our customers have faced extreme hardship, we have invested £3.5m into our communities and secured £2.6m of external funding.

Our Customer Support Fund has provided an additional £3m for essential items, debt advice, employability coaching and increasing support for those in fuel poverty over a two-year period.

We've also made it easier to award funds in response to increased demand for grants, benefitting over 50,000 people this year and securing more than £1m in matched funding.

Access to the support is data driven, with the association contacting customers to help identify who will benefit the most.

The fund is made up of:

- An in-house money and debt advice service to help customers manage their finances and sustain their tenancy – with home visits available to those that may struggle to get online.
- Money coaches to provide customers with a commissioned service which will improve their understanding of budgeting and attitudes towards money.
- Mental health and money support for individuals suffering with mental health conditions, where it becomes apparent that their mental health is having a knock-on-impact on their finances and ability to budget.
- Tenancy support to be expanded to customers living in shared ownership homes. Previously this support was only available to those living in social rented accommodation.
- In-work coaches to help its customers in work find better paid work through dedicated one-to-one support.

We are also providing more one-to-one digital training and tutoring sessions to help residents develop their skills and feel more confident about getting online. Access to energy vouchers and white goods will be expanded, while there is availability.

More customers are set to benefit from our continued partnership with the telephone triage service Pocket Power, helping to identify better deals on a whole host of household and utility bills.

The £2.6m in external funding from a range of funders including the National Lottery Community Fund, Hampshire and Isle of Wight Community Foundation and The Blagrove Trust to enable us to invest more into communities.

“With the ongoing cost-of-living crisis, we want to ensure that our most vulnerable customers get the support they need to live well and sustain their tenancy.

I’m pleased that we’re able to go further, by offering this targeted support and continuing to invest in our services.”

Andrew Cooper, Head of Partnerships and Funding

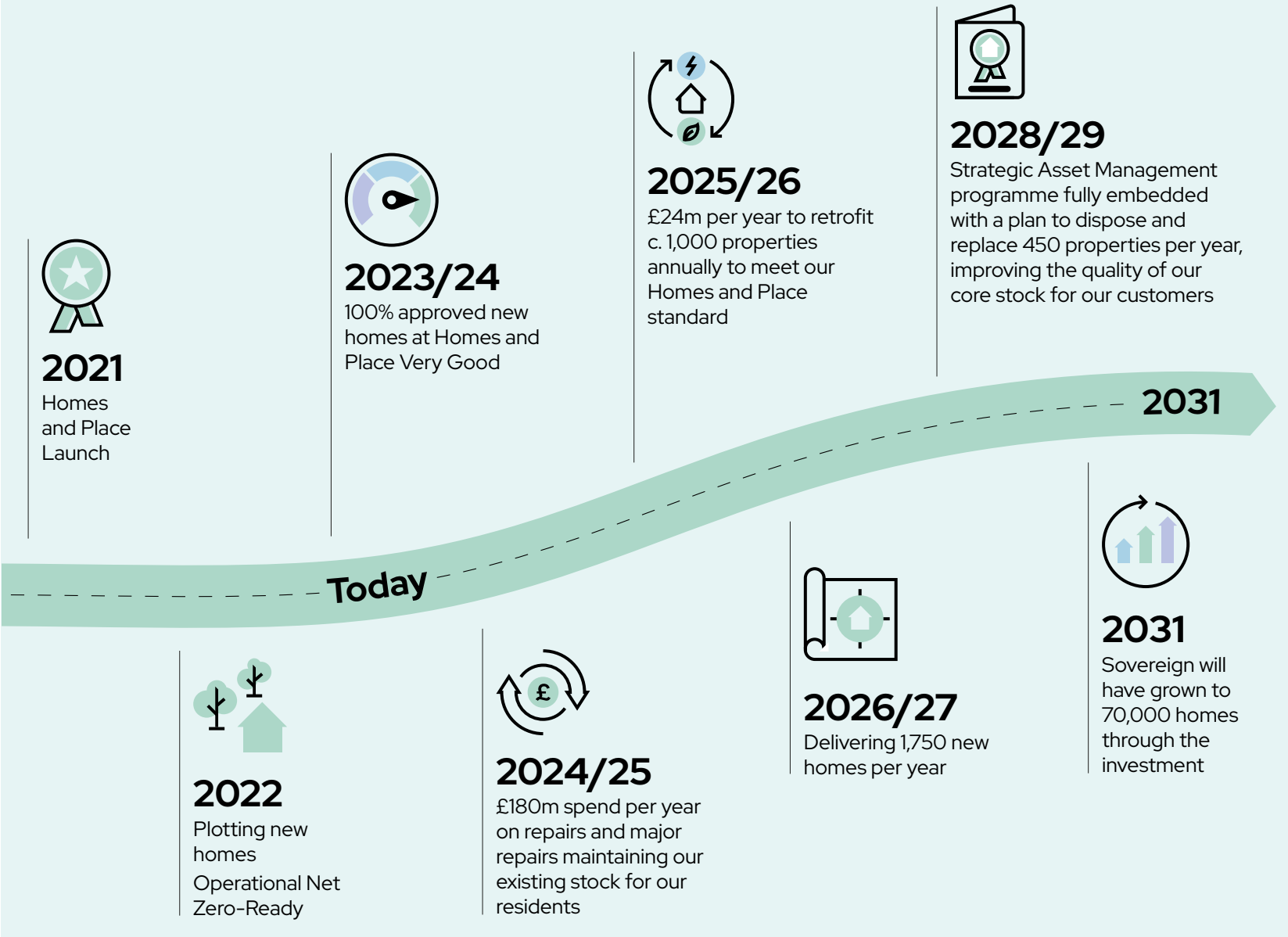
Our ESG reporting approach

We have continued to develop our ESG approach in 2022/23 through our data collection and internal processes, underpinned by five key components. These are overseen by our ESG group, led by our treasury director and supported by senior team members across development, sustainability, communities and governance.

1. Homes and Place standard	2. Pathway to Net Zero	3. Our key ESG KPIs	4. The Sustainability Reporting Standard for social housing	5. Our sustainable finance framework
<p>We know that reducing our carbon footprint to be net zero by 2050 requires relentless focus and a revolutionary approach. Our response – the Homes and Place Standard – is part of our wider Strategic Asset Management and Investment Strategy. In 2022/23, it moved from concept to reality, both through the launch of our new house types and our successful bid to the Social Housing Decarbonisation Fund (SHDF). The Standard is driven by customer need, and is the foundation of our ESG performance, consisting of a scorecard that forms the basis of a specification for new developments and our standard house types. Within the standard sits our Sustainability Strategy, encompassing our environmental objectives and underpinned by the UN Sustainable Development Goals (SDGs).</p>	<p>We have established a new carbon emissions baseline with full Scope 1, 2 and 3 inventory against which we can measure our upstream and downstream emissions reductions. This baseline informs our new Streamlined Energy & Carbon (SECR) and Carbon-Balance reports, which are essential benchmarks when developing a net zero strategy and the setting of science-based targets. SECR provides a summary of energy usage, associated emissions, energy efficiency actions and energy performance. Our Carbon Balance reporting and ‘downstream’ Scope 3 emissions forecasts have been informed by detailed portfolio energy, carbon and investment modelling aligned to corporate targets. We have also commenced whole-life carbon analysis for our new developments.</p>	<p>Having identified a set of key ESG indicators in 2021/22, we have continued to develop and update these KPIs during this reporting period. These indicators demonstrate where we are on our priorities, how our ESG approach links to our corporate plan, and where we need to get to as a business. They include social value, carbon emissions, new homes delivery, biodiversity and customer satisfaction, with new additions for 2023 of EDI and retrofit. Our ESG dashboard will continue to evolve in the years ahead.</p>	<p>Having been involved in the creation of the social housing sector’s ESG standard, we are pleased to be supporting its evolution. The SRS was created in 2020 by a working group of housing associations, funders, regulators, residents and other key stakeholders. It is now entering its second iteration, with a greater focus on priority themes for the sector such as housing quality, resident voice and net zero strategies and global climate-related disclosure frameworks. Its 12 themes and 48 criteria align to international frameworks and standards including the UN’s Sustainable Development Goals (SDGs).</p>	<p>We launched our Sustainable Finance Framework in 2022 to formalise the connection between our funding and our purpose. While we are yet to raise funding via the capital markets through the framework, it is already helping to guide our treasury strategy, with £375m of debt linked to ESG KPIs around retrofit and social value. Under the framework, funding will be allocated transparently to projects and initiatives that align with relevant sustainability standards and our own ESG framework, aligned with market guidelines set out by the International Capital Markets Association (ICMA) and Loan Market Association (LMA), as a use of proceeds.</p>

Our ESG reporting approach (cont.)

2023-29 Investment strategy by numbers



How social housing contributes to UN Sustainable Development Goals

11 SUSTAINABLE CITIES AND COMMUNITIES



1 NO POVERTY



2 ZERO HUNGER



3 GOOD HEALTH AND WELL-BEING



4 QUALITY EDUCATION



7 AFFORDABLE AND CLEAN ENERGY



8 DECENT WORK AND ECONOMIC GROWTH



10 REDUCED INEQUALITIES



13 CLIMATE ACTION

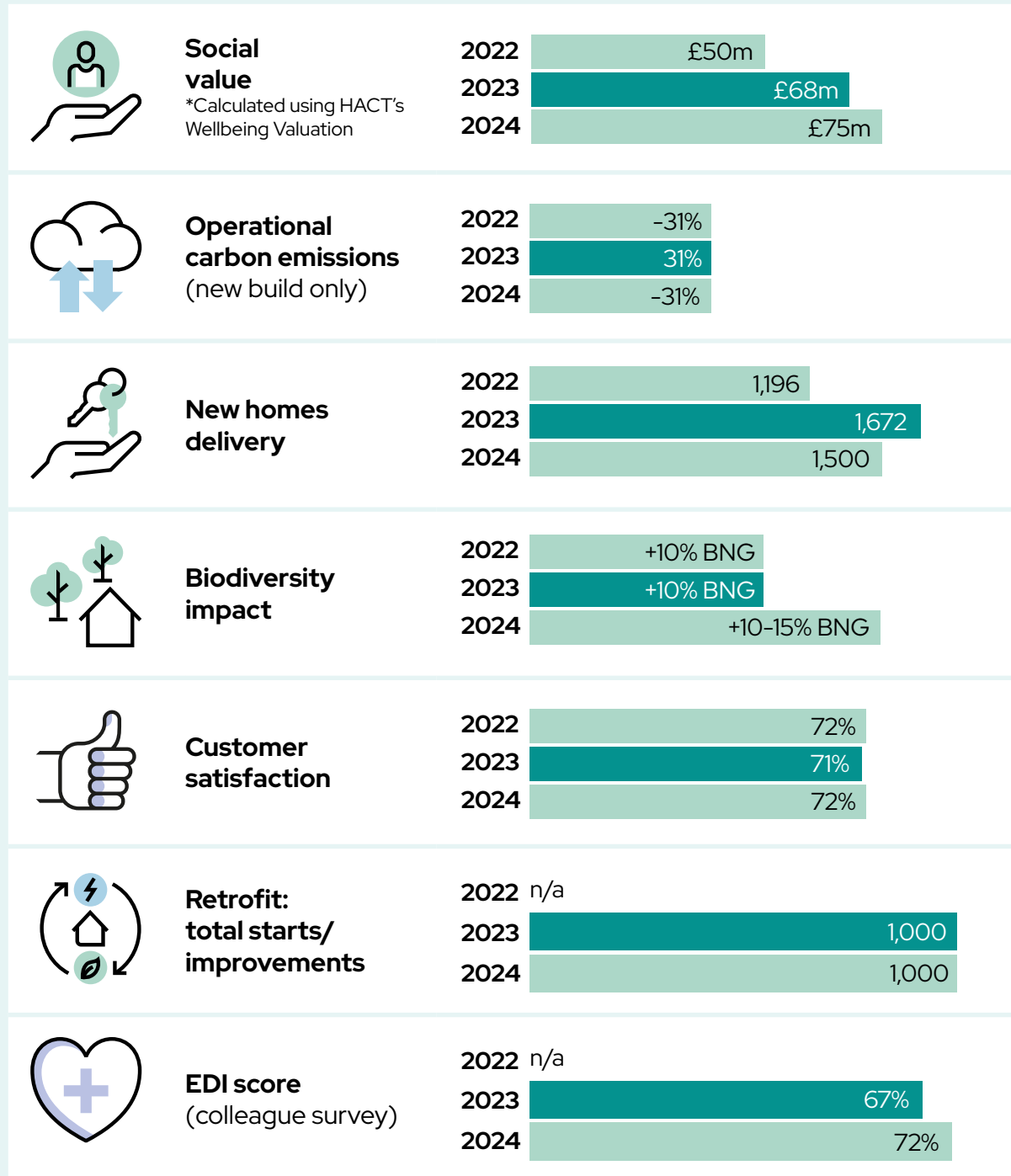


Our ESG KPI dashboard

We created our ESG dashboard in 2022 to show our progress against some of our core ESG considerations.

This year's measures incorporate our refreshed corporate plan and reflect the changing operating environment, and set out our commitments for the current period.

We have added two new KPIs in 2023 around EDI and retrofit. We have however removed our 2027 forward-looking targets for this report, as we look to create an outline of where we want to get to over the coming years as part of our plans to merge with Network Housing. This will provide us with an opportunity to demonstrate how we will deliver more impact collectively over time.



Our Homes and Place standard

Our Homes and Place Standard is what brings our vision of a sustainable future to life.

Launched in 2021, Homes and Place future-proofs our existing and new properties and sets exacting performance standards that raise the bar for how we think about, design, procure, build, operate and maintain our homes. It is also a cornerstone of our Strategic Asset Management and Investment Strategy, putting the customer at the heart of all our decision-making by prioritising customer health, wellbeing and affordability needs.

Homes and Place guides us on what we need to replace, regenerate or retrofit, and where we need to build more, acting as a tool to inform investment decisions and prioritisation, set measurable performance targets and offer visibility and confidence for the delivery team, the board, customers and external stakeholders.

This process is driven by our Assessment Toolkit, which has prescriptive design and performance criteria that respond to future regulatory and policy changes. This guides the design-brief and each project assessment aggregates up into a 'Scorecard' for new and existing homes and projects. The toolkit's four themes of customers, homes, places and sustainable futures are underpinned by design criteria and performance metrics.

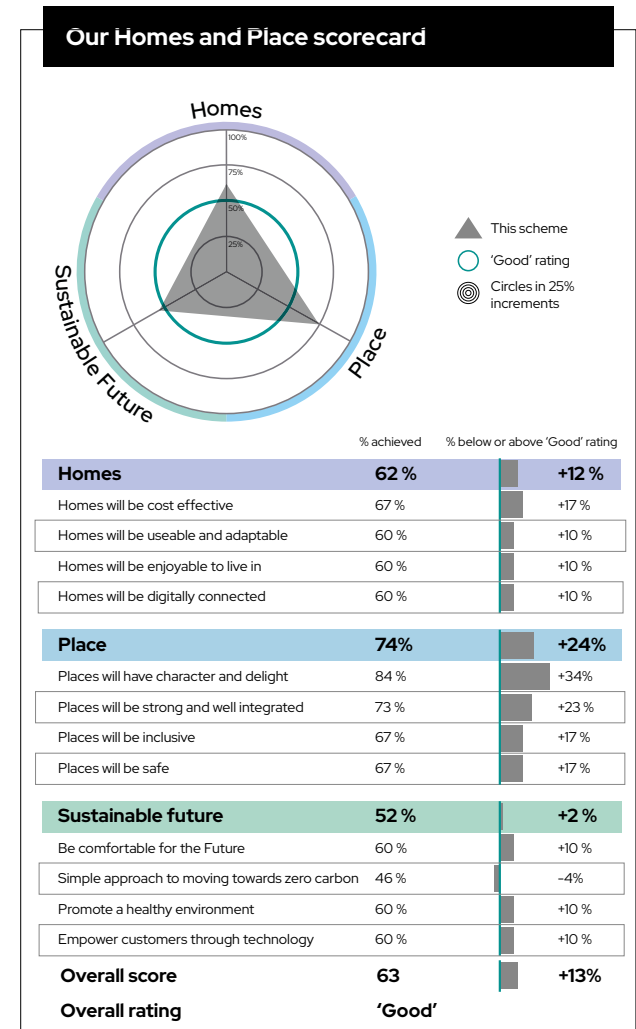
We now use this approach on all new build and land opportunities, measuring them against performance standards of Good, Very Good and Excellent. We have set the target of achieving the Homes and Place Very Good standard for all new developments. The toolkit has also been used to grade c.46,000 of our c.60,000 existing homes.

Our cross-directorate Homes and Place Task Force has continued to embed the Standard in our organisational culture, thinking and ways of working.

It also played a central role in our successful bid to the UK Government's Social Housing Decarbonisation Fund Wave 2.1 funding for existing homes.

We are now underway with our ambitious whole-house 'digital' retrofit strategy of 1,000 homes per year, which will provide our customers with more energy efficient homes and sets us on our pathway to net zero.

We are also working with our consultants to develop a methodology that enables us to see a fuller picture of operational, embodied and whole life carbon, considering emissions from all the materials, infrastructure, landscape and construction processes throughout the whole lifecycle of our buildings and places.



Customers	Homes	Places	Sustainable future
<ul style="list-style-type: none"> Encourage long-term health and wellbeing Be safe, secure and inclusive Provide an excellent customer experience Foster pride in homes and communities 	<ul style="list-style-type: none"> Usable and adaptable Enjoyable to live in Cost effective Digitally connected 	<ul style="list-style-type: none"> Have character and delight Be well-integrated Be inclusive Be safe 	<ul style="list-style-type: none"> Be comfortable for the future Have a simple approach to moving towards zero carbon Promote a healthy environment Empower customers through technology

% of existing homes that meet Homes and Place 'Good' standard or above

2022	2023	2024
40%	44%	45.5%

% of new homes that meet Homes and Place 'Good' standard or above

2022	2023	2024
93%	100%	100%



Image courtesy of E G Carter & Co

Paving the way for our new house types: Taverners Field

A scheme for 69 affordable homes in Devon is paving the way for our first homes using our range of new house types.

Detailed planning consent was received at the end of last year, and work is underway at Taverners Field on the edge of Exeter.

The mixed-tenure homes will be the first built to our new house specification, exceeding national space standards, incorporating increased storage, and promoting lots of natural daylight, all aimed at supporting the health and wellbeing of future customers.

This is also the first development using these house types to score 'very good' on our Homes and Place Standard.

While Sovereign has always striven for high standards across its developments, this sets out how we invest in our homes and builds new ones.

Comprising a timber frame with improved insulation, every home at the site will have its own air source heat pump and sustainable heating system. Homes will also benefit from the installation of photovoltaic solar panels making them more affordable to run, and helping to provide a simple pathway to net zero.

When completed, the homes will include a mix of one and two-bed maisonettes, bungalows and two-four bed houses. Homes at Taverners Field will be 100 per cent affordable – with 36 available for social rent, and the remaining 33 homes set for shared ownership.

The development includes a mix of green infrastructure and public open space, plus a play area for recreation.

The site is expected to be completed by summer 2026.

Our pathway to Net Zero

We have made significant strides over the last year on how we assess our carbon emissions across all areas of our organisation.

We have entered into Streamlined Energy & Carbon Reporting (SECR) and produced a Carbon Balance Sheet, which enables us to identify the material emissions sources in Sovereign Housing Association's overall value chain, and where we can make the most significant impact on global emission reductions.

This work provides the baseline for how we achieve carbon neutrality and net zero. It sets out Sovereign Housing Association's full Scope 1, 2 and 3 inventory, which is essential for developing a net-zero strategy and the setting of science-based targets.

And it provides a consistent way to report and measure progress, year-on-year.

We have worked with utilities consultancy, Inspired Energy, to undertake reporting for 2022/23, summarising our energy usage, associated emissions, energy efficiency actions and energy performance.

Our Carbon Balance Sheet covers all scoped emissions for 2022/23, including indirect scope 3 emissions from across our value chains, suppliers, and housing stock.

Our year two SECR report indicates a total carbon reduction from use of natural gas and electricity of 18%.

Carbon Emissions Performance Data per £m Revenue (tCO2e)

	2021/22	2022/23	% Change
Scope 1	16.85	16.25	-3.5%
Scope 2	9.03	7.39	-18%
Scope 3	n/a	830.4	n/a

The process has seen people from across the business coming together to share data and has been a positive way of raising awareness across the group. As our carbon emissions reporting matures, our data will become more accurate, allowing us to track our carbon performance and improvements.

We are also working more closely with our partners and suppliers on their sustainability performance, through an ethos of continuous improvement and collaboration towards shared goals.

This currently includes providing a sustainability questionnaire to our existing suppliers at the point of contract renewal. We are also looking to include these as part of the tender process on a case-by-case basis. Our main contractors' development framework puts a greater emphasis on sustainability with a 20 per cent weighting at selection questionnaire stage, and 10 per cent at invitation to tender stage.

Retrofitting our homes

The last year has demonstrated how our Homes and Place Standard drives our decision-making, shaping our bid and deployment of Social Housing Decarbonisation Fund (SHDF) Wave 2.1 funding.

We secured over £9m from the UK government's programme, which serves as a catalyst for our retrofit work and acts as a staging post to our longer-term destination of net zero.

We got going on our ambitious programme to start work on 1,000 homes every year, all of which we will improve to EPC B+.

Not only are we fully aligned with the SHDF's strategic targets to deliver warm, energy efficient homes, reduce carbon emissions and tackle fuel poverty, but we're also making the scheme go further by targeting the strategic objectives defined within our Homes and Place standard; enhanced affordability, health and wellbeing, carbon reduction and mapping a clear pathway to net zero.



This means using the SHDF in the context of a 30-year horizon, rather than a shorter-term focus of getting homes to EPC C by 2035.

We have committed to ensuring all homes are at EPC C or above by 2035, and at EPC B and above by 2047, which will include a Standard Assessment Procedure (SAP) score showing the specific energy performance of a home, of 86 out of 100. It should be noted that this will be achieved where practicable and possible, and this does not account for situations where residents refuse upgrades or for phased disposal.

Our home improvement retrofit measures have been individually assessed and tailored for each home and follow a fabric-first approach which includes wall insulation, heat pumps, battery storage, photovoltaic (solar) panels, and 'smart' home controls. Taken together, these measures will deliver an enhanced energy efficiency rating of EPC B and B+ and an improved affordability benefit to our customers where bills could fall by as much as half post-retrofit.

We provide monthly reporting on our EPC data of our homes, which has seen the percentage of homes at EPC C and above rise from 65% to 70% in the last year, reflecting the investment and resource we have put into making our homes more energy efficient and our systems more reliable. This has meant centralising and sharpening our reporting process, helping us to manage risks, being more proactive and encouraging greater collaboration across the business. We will continue to strengthen our process and scrutinise the integrity of our data.

EPC ratings

2022	2023	2035	2047
64.8% EPC+	70.3%	100% EPC C+	EPC (86) B+



Making play a priority: improving green spaces

We are improving our green spaces to make them more enjoyable and rewarding places for customers and communities.

A play space at Preston Close in Ryde on the Isle of Wight was given a new lease of life after it was redesigned and redeveloped this year.

While we helped secure £37k of funding, customers and community members were at the heart of decision-making.

The community came together and chose what play equipment they would like, and the result was a brand-new swing, two goal frames, a roundabout, springer and climbing frame and slide. One of the residents, Vicky Cartwright, said: "A massive thank you to Sovereign for making this happen and getting it all done for us, we very much appreciate it."

"It was a pleasure to work alongside the community to reinstate brand new park equipment at Preston Close, and a joy to see so many children enjoying the new area."

Toby Eaglen, Community Investment Lead for Sovereign

Embracing technology, R&D and data

We do not have all the answers and if we are to be successful in delivering our net zero ambitions, we must be prepared to engage with our supply chain and strategic partners to research and trial new and innovative platforms and technologies.

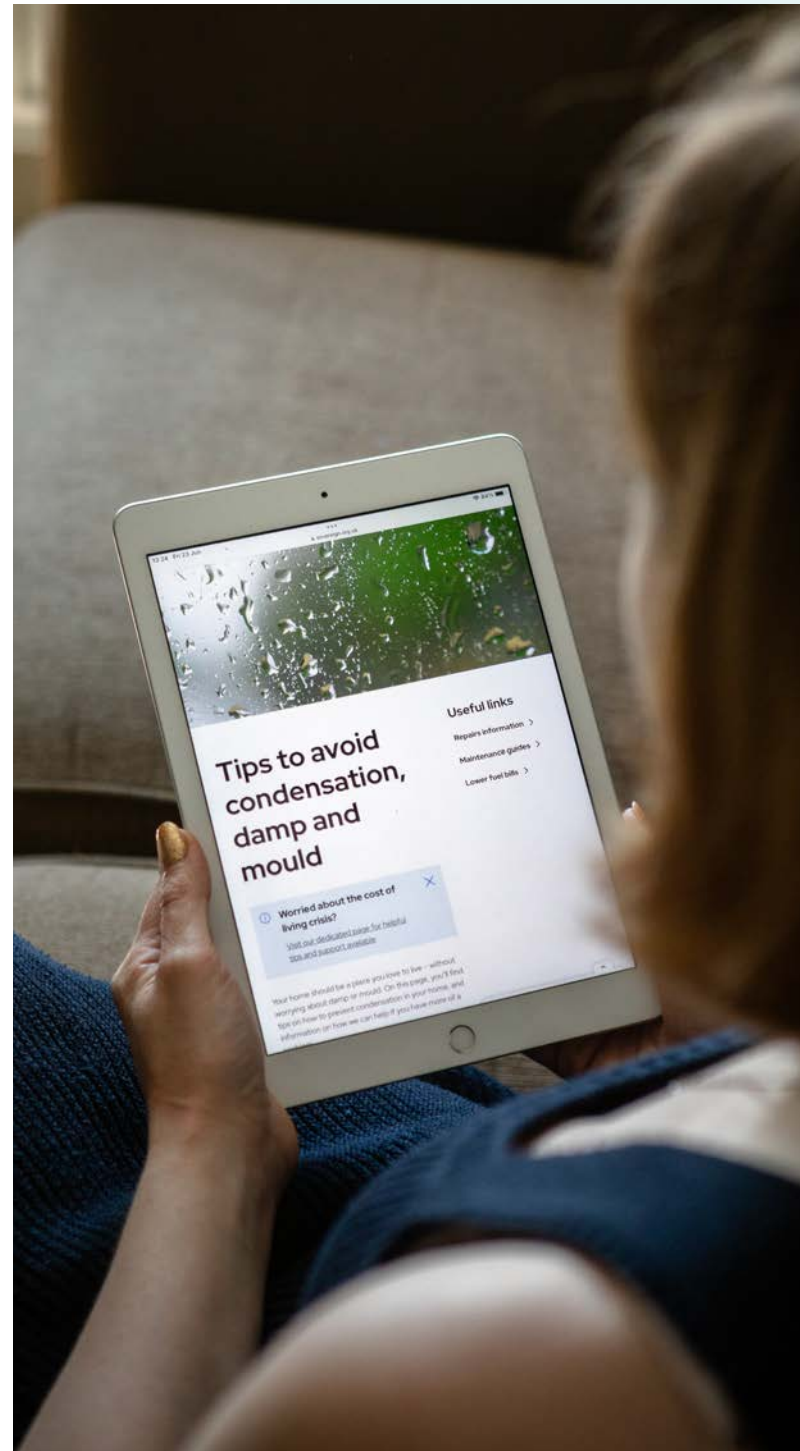
Lessons learned from our use of innovation and technology to identify damp and mould, health, wellbeing and fuel poverty risks underpinned our approach to our SHDF whole-house digital retrofit strategy. Combined with 10 whole-house digital retrofit pilots across 260 homes, we are exploring differing heating, hot water, ventilation, energy generation and storage solutions, where we will be evaluating and measuring actual performance outcomes over a two-year period.

Each one of our homes will undergo a new baseline condition survey to determine actual energy performance and quality (prior to works commencing) rather than being EPC-predicated. This will lead to the creation of a new bespoke “building passport” for each home that identifies all the tailored retrofit measures needed for that home to improve environmental and energy efficiency, whilst avoiding unintended consequences and setting a measurable pathway to net zero.

Performance-in-Use monitoring via smart home technology and sensors will support validation of the completed retrofit works, and will monitor actual environmental, thermal, comfort, affordability and emissions performance. This building passport strategy is a core component of our continuous learning and Customer Engagement strategy and acts as an evidence-basis for external stakeholders. We intend to roll this out across all our retrofit projects.

Bringing residents with us

While we believe we are making good progress, we simply will not be able to achieve our objectives without involving and bringing customers with us on our decarbonisation journey. We have been meeting with our customers to gauge their feedback on the programme, and our Resident Liaison Officers and retrofit teams will work closely with our customers to explain every step of the journey, what the outcomes will be, how this will benefit them and how newly installed smart-home technology will help reduce their energy bills.



Using technology to identify damp and mould issues

Smarter and more data-focused, our approach to issues of damp and mould is about prioritising cases and acting quickly.

We moved from a reactive to proactive strategy on damp and mould in 2021. However, in the period running up to Christmas 2022 the volume of damp and mould repairs increased by 100%. This year we proactively managed over 14,000 cases.

We have developed a data-led service to help identify homes with damp and mould, and those most at risk of developing it.

Using data such as a building's age, EPC rating, age, fabric type and construction, the model can highlight where early intervention may be needed.

Last year, we took further steps, installing smart heating sensors and thermostats in some of our less energy-efficient homes, providing data on a whole host of conditions – including humidity and CO2.

The data from these trials means the early warning signs can be spotted, and action can be taken before it becomes an issue.

We have gone further still with technology by introducing video trials with customers, helping us to understand cases more quickly and prioritise the response.

We also reviewed all existing reported cases of condensation, damp and mould, prioritising vulnerable customers and those with children at home.

Clear plans are in place to treat damp and mould, with a follow up after a few months to check the problem hasn't reappeared.

Our teams attend reports of damp and mould within 10 working days and when they do so they carry out an assessment of the whole property, looking at vents and extractor fans and completing a mould wash if needed.

This year we received over 20,000 more repair jobs than last and yet we have had consistently high customer satisfaction with our repair service – 8.9 of our 10 customers say they are satisfied.



Your Community, Your Choice

Sovereign's 'Your Community, Your Choice' is a budgeting programme where customers can apply for funding to improve the environment in their local area. Residents of Teal House, in Camberley, Surrey, put in a project application for funding towards a community vegetable plot and bench.

The aim was to improve the aesthetics of the area, but also the wellbeing of residents through a project that could bring them together.

By sharing their experiences of anxiety, depression and stress, they now have a greater understanding of each other's needs and aspirations and have become their own family unit.

As well as helping people pick up new skills, the enhanced communal garden area has supported social and physical activity, and helped people develop stronger ties with other residents in their neighbourhood.

The residents of Teal House are excited to see the results of their thriving community vegetable patch and look forward to using the bench throughout the warmer weather.

The project was well-supported and awarded £2,402 to make the improvements.

Financing our ESG goals

To achieve our ESG goals, sustainability must run through every part of Sovereign, including the way we secure and deploy our funding.

During the 2022/23 year we agreed £375m of ESG-linked bank facilities that support our core strategies and align with our ESG goals. The loans are linked to the number of homes we retrofit and the social value we generate for our communities each year, with a discount applied to the margin when we meet certain KPIs.

The package included a £75m, five-year facility with ABN Amro in November 2022, a £100m, 10-year facility with Natwest, and a £200m syndicated three-year facility with Natwest, Lloyds, NAB and SMBC in December 2022.

All of these loans will benefit from reduction in margin when targets are met, with the KPIs kicking in from 31 March 2024, and aligned to reporting against our retrofit targets. The social value KPI is based solely on our Community Investment work using HACT's Wellbeing Valuation. This helps ensure any increase in impact is a result of us delivering more within this area, rather than increasing the scope of business activity measured – an important aspect to our lenders to mitigate against any concerns of 'greenwashing'.

We are yet to raise capital markets funding via our Sustainable Finance Framework in 2022, designed so that the finance we raise is allocated transparently to projects and initiatives that align with relevant sustainability standards, and positively impact our underlying customers. When we do, the capital raised via the SFF will be used to support our social and environmental objectives, spanning construction, remediation and community investment. It will also provide an additional layer of accountability around our ESG pledges.

You can find more information on our 2022 sustainable finance framework [here](#).



Maximising our social value

Enabling our communities to thrive

We continue to place the customer at the heart of everything we do, with a transformation programme that is moving us closer to our customer vision. We have restructured the organisation around our two 'shop windows' to make it easier for customers to do business with us, and for our colleagues to do business with our customers.

Now, customer contact will come through our Customer Service Management Centre – a highly skilled and specialist area. Our aim is for 80% of customer queries to be dealt with in this space, freeing up our highly skilled localities teams, on the ground, to do the proactive work with our customers, both in their homes and in the places they live.

Our Thriving Communities strategy sets out our ambitious goals to improve the wellbeing and quality of life of our residents through an asset-based community development approach. In addition to the £3.5m Sovereign invested into communities, we secured £2.6m in external funding from a range of funders including the National Lottery Community Fund, Hampshire and Isle of Wight Community Foundation and The Blagrove Trust.



Over **£95,000** of funding and 11 projects realised through the #iWill fund



£10m of social value generated in our fuel poverty programme

Our Community Investment Team has five key areas of focus:

1. **Community Investment and Social Action**
2. **Employment and Skills**
3. **Customer Engagement:**
4. **Financial and Digital Inclusion**
5. **Partnerships and Funding**

To help us understand and measure the impact of our programmes, we use HACT's Wellbeing Valuation. This places a financial proxy to illustrate the impact of different activities such as moving from unemployment to employment, transforming green spaces to a high standard and supporting people to feel relief from the burden of debt. In 2022/23 our work generated over £68m of social value, with over £10m being generated in our fuel poverty programmes alone.

We have a clear customer engagement strategy, with our Resident Board Partnership providing oversight and debate around all of our customer policies and strategy, our Scrutiny Coordination Group supports our operational teams with deep dives around performance and our Youth Panel supports youth voice in the sector.

Over the past year, our Scrutiny Coordination Group completed an extensive scrutiny on the Sovereign Repairs Service, with 9 key recommendations proposed by the group now being integrated into our end-to-end repairs transformation programme as a result of this activity.

Last year, their input and direction supported 11 projects to realise over £95,000 of funding, from the £1m programme, to shape youth social action services and provision across our geography through the #iWill fund.

From sales to support

Jane* was referred to our Employment and Skills Team after she was made redundant and was starting a new claim for Universal Credit.

She had previously been working in customer services and sales but was looking for a career change.

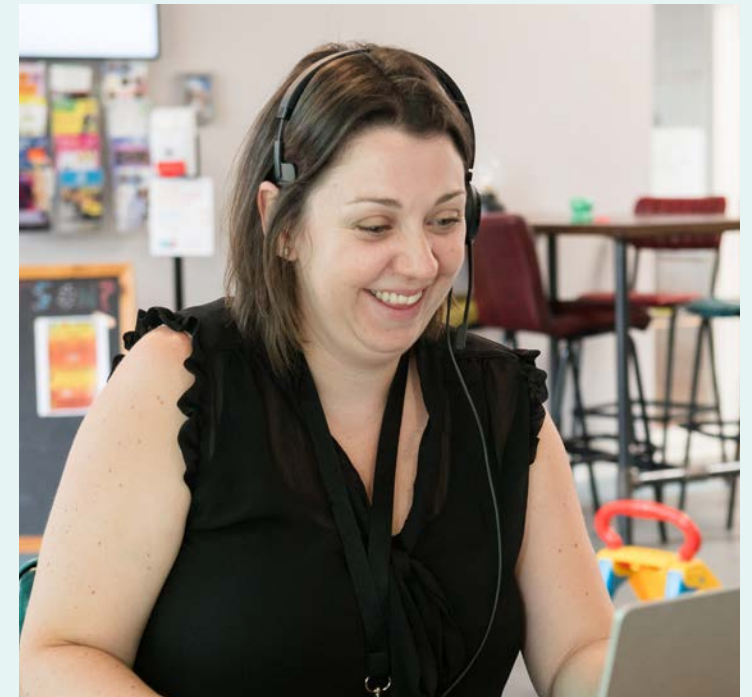
She already had an interest in working in counselling or supporting people with learning difficulties, as she has ADHD and wanted to help others.

Kirsty, our Employment and Skills Coach, worked with Jane to review her CV, looked at options in Sovereign's grant schemes for additional support and registered her on an interview skills workshop.

Jane has since secured a full-time job as a support worker at a residential school for children with learning difficulties.

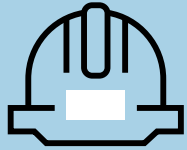
With her increased confidence, she was able to negotiate a higher wage when offered the job.

*We have used a different name to protect our customer's privacy.



Employment and Skills

302 jobs secured



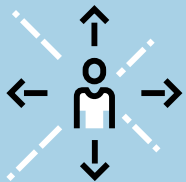
Partnerships and Funding

81 projects funded with Crowdfunder grants



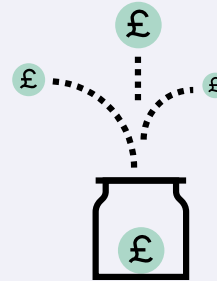
Employment and Skills

83 customers supported with business start up and self employment



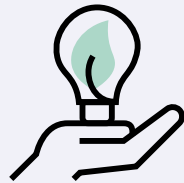
Financial and Digital Inclusion

Over **£380,000** saved for customers



Financial and Digital Inclusion

5,189 emergency fuel vouchers given



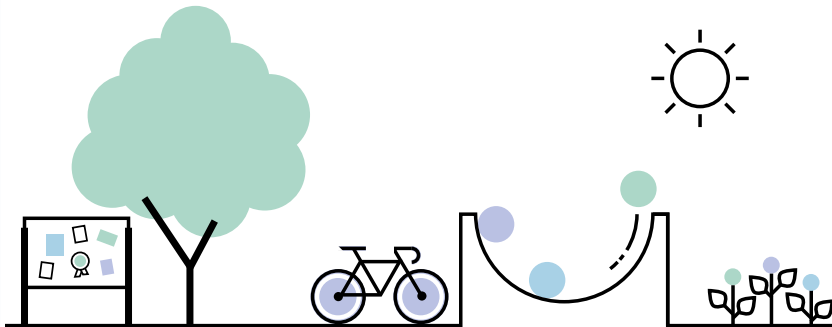
Partnerships and Funding

55,646 people supported through our grants



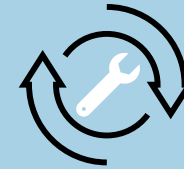
Community Investment

5,484 people engaged in community activities



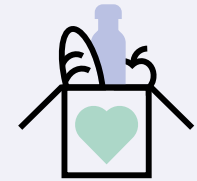
Employment and Skills

961 training outcomes



Financial and Digital Inclusion

6,497 Money Matters interventions



Employment and Skills

960 customers supported with employment and skills





Working together for a brighter future

Stephen from Newbury worked as a PE teacher but had to leave due to medical issues.

Having been unemployed for two years and struggling with personal independence payment (PIP) applications, he was struggling to see a bright future for himself.

Stephen spoke to his income officer about falling behind on rent and was barely getting by with monthly bills and food costs.

Through our new Target Operating Model, teams across Sovereign are working more closely together to ensure an excellent customer experience and maximise customer impact. Our customer account team referred Stephen to one of our customer income advisors for support. They then referred him to our financial and digital inclusion team to access Sovereign's emergency grant schemes.

Stephen received a £50 Asda voucher through the Helping Hand Fund, which allowed him to buy groceries and receive nearly £300 of fuel vouchers over several months. He was also referred into the employment and skills team to help increase his income which will help in the long term.

On receiving the vouchers, Stephen said:

“It has enabled me to cook and have hot water and not sit in darkness. I do have my children come and stay with me three times a week and without electricity, my children would not be able to stay with me.”

He is now looking forward to starting some new skills academy courses with our employment and skills team and is slowly reducing his arrears as well as staying on top of his rent payments.

Equality, diversity and inclusion

Equality, diversity, and inclusion (EDI) strengthens our relationships with customers and our people and drives better business performance. It is a central pillar of our commitment to creating a great workplace and inspires positive change within our industry and in how we serve our communities. Our dedication to EDI is a moral imperative and delivers a strategic advantage that propels us towards greater innovation, increased customer satisfaction, and sustainable business success.

It is also a critical component of our workplace culture. Our recent employee engagement survey returned a positive increase in our EDI score of 70% which reflects our progress towards creating a respectful and empowering environment where employees feel they belong and that their unique perspectives are valued. A diverse and inclusive workplace is critical to our organisation's success and we strive to ensure everyone can thrive.

EDI Strategy

Our EDI strategy includes four tenets: leadership, representation, employee inclusion and customer inclusion. Throughout 2022, we underwent an independent audit of our culture through an EDI lens which has helped inform our approach and activities. We have made significant strides in raising awareness and influencing inclusive changes in our processes. We are committed to evolving our strategies, ensuring that we regularly check ourselves against the external landscape and the latest thinking in EDI.

We are currently developing the next phase of our EDI strategy, which involves shifting to a leader-led approach and making sure that all of our activities are in service of our broader corporate strategy. We aim to gain a deeper understanding of EDI and overcome systemic barriers by implementing a culture change strategy involving all leaders and managers.

Education and awareness programme

Since launching the program in September last year, we've conducted 'Let's talk' sessions on various topics, including race, intersectionality, disability, inclusive leadership, gender equality, LGBTQ+, mental health, and more. These sessions are well attended and positively received by employees, growing from around 20 attendees in the early sessions to over 300 people in our latest talks.

Social Housing Anti-Racism Pledge (SHARP)
We have signed up for the Social Housing Anti-Racism Pledge (SHARP), which outlines a framework for social landlords to embrace anti-racism and implement focused actions within their organisations. We have completed the first stage of achieving our SHARP level 1 accreditation, which involved an extensive self-assessment conducted alongside our EDI ambassadors to clarify the organisation's stance and values. Our focus is on creating directorate objectives aligned with our commitment to anti-racism, which will be presented to the EDI forum for further collaboration and advancement.



Stonewall Bronze Award

We have completed the Stonewall Workplace Equality Index (WEI), an annual audit recognising our efforts to foster inclusive workplaces. We have received a Stonewall Bronze award, highlighting our commitment to LGBTQ+ inclusivity, and will continue to strive for a more inclusive workplace. This award reflects our progress in meeting specific criteria, including banning discrimination based on sexual orientation, gender identity, and gender expression.

Diversity Framework

We are working with Diversity by Design to identify how we can elevate our leader-lead approach to EDI. Working with the executive board our partner will support us in understanding our organisational 'Diversity Dividend' and 'Deficits.' This will allow us to create interventions that will revise and enhance services, processes, training, management and recruitment. By embracing this framework, we aspire to create a more vibrant, welcoming and enriching environment for our employees and customers that celebrates the unique contributions of every individual.

Ethnicity and Gender Pay Gap

Our gender pay gap is still below UK average, but increased slightly to 5.8% (mean) and 5.4% (median) in April 2022. Our ethnicity pay gap is lower than average, with a mean gap of 2.6% and a median of 0.1%. We're committed to reducing these gaps and ensuring fairness for all.



Let's Talk About... mental health

In June we held a 'Let's talk about' session for our trades colleagues at our Greenham Hub, where we were joined by guest speaker Ian Hurst from We Are Hummingbird, a not for profit with a focus on preventing and supporting mental health issues.

Over 60 people attended the event and gave positive feedback on Ian's open and informative style as well as practical tips to help you look after your own mental health, and the mental health of those around you.

One attendee said:

"It made me think a bit differently. He encouraged us to think about the positive moments in life rather than when things don't go to plan and it was some of the best advice I've heard."

Another added: "Best session I have seen in years, its making me think in ways I haven't before"

We realise how beneficial these sessions can be for everyone at Sovereign but in particular for our trade teams who are constantly on the road and have very fast-paced work serving our customers. We want to ensure they are aware of their own wellbeing and feel confident to address these issues and recognise them.

We are aiming to bring this trades dedicated session to other localities in autumn 2023 and reach out to more and more colleagues.

Sustainability Reporting Standard for social housing

This is our third year of reporting against the Sustainability Reporting Standard for Social Housing (SRS), the ESG framework for the UK social housing sector.

We were pleased to contribute to the creation of the SRS and its launch in 2020, and continue to directly support its evolution as it moves to its second iteration in 2023. In particular, we welcome the proposals for an increased focus on housing quality and actions to address damp and mould, resident voice, net zero strategies and EDI – much of which we are already referencing in this report.

More than 130 housing associations and funders have now adopted the SRS, representing over 2 million social homes and the vast majority of the £130bn of funding in the social housing sector.

The SRS's 48 criteria are qualitative and quantitative and are identified as core and enhanced requirements to demonstrate strong ESG performance. The criteria align to international frameworks and standards including the UN's Sustainable Development Goals (SDGs), Global Reporting Initiative (GRI), the Value Reporting Foundation's SASB framework, the International Capital Market Association (ICMA) and the principles set out by the Loan Market Association (LMA).

ESG year on-year snapshot



% of general needs homes at **64.3%** versus 64.5%



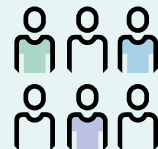
1,672 new homes in 22/23, of which **94%** are affordable



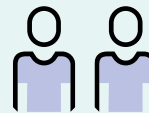
EPC ratings of existing homes at EPC C or above: from 65% to **70.3%**



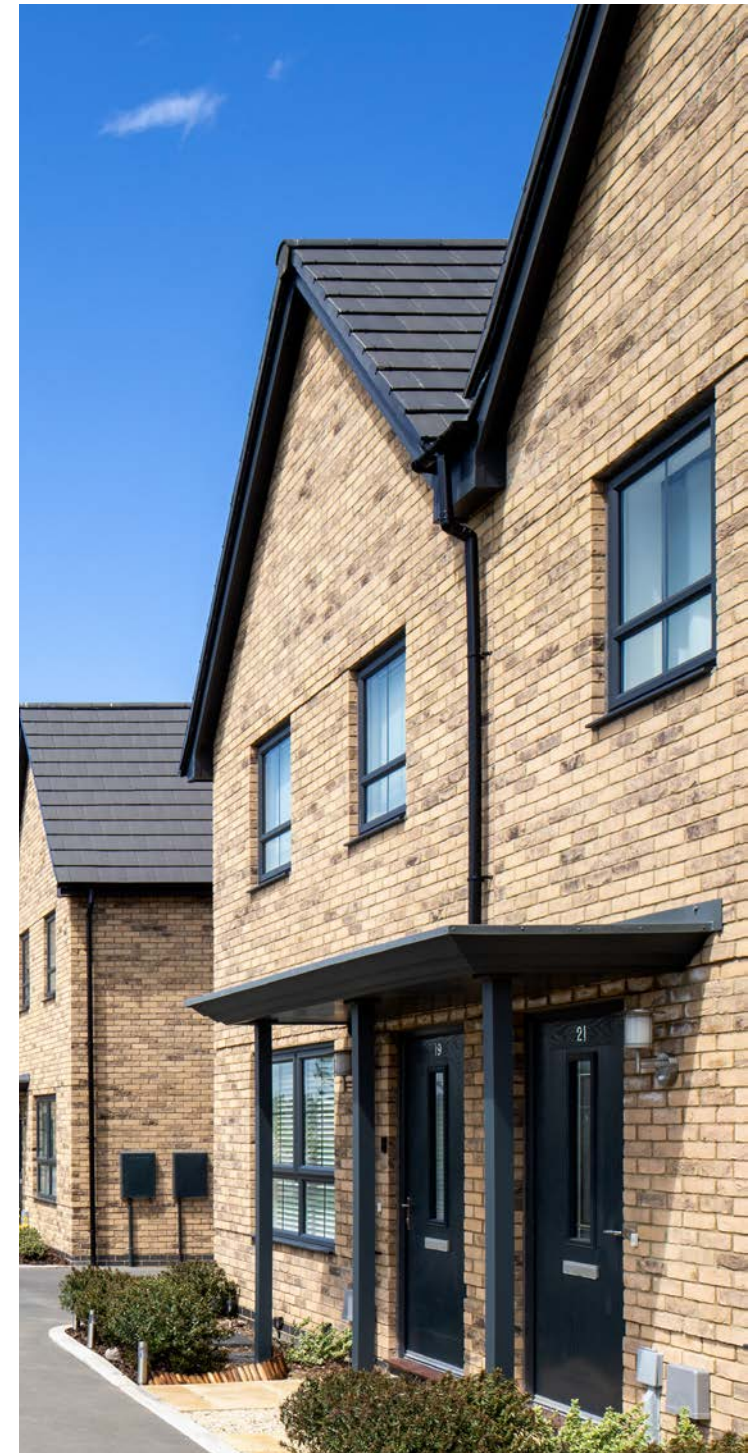
% gender of board: **60% female 40% male** in 2023 vs 63% female and 37% male in 2022



% BAME board members is **10%**, up from 9% last year



Our mean gender pay gap is **5%**, up from 1.7% last time



ESG measure	Our response																																																												
C.1 What is comparison average rent % Sovereign charge compared to the PRS or LHA?	97% of our homes have rents set below the Local Housing Allowance for the respective area; 3% are over the LHA; this reduces to 1% if service charges are not included in the total rent charge. This equates to charging our customers £157.6m less per year than the LHA. Where we are overcharging against LHA this totals £678k per year, usually for customers living in supported living schemes, where there are higher service charges or in affordable rent properties																																																												
C.2 What is the breakdown by type of Sovereign's % share and number of existing homes (homes completed before the start of the previous financial year)?	<p>The following table shows homes owned by Sovereign</p> <table border="1"> <thead> <tr> <th></th> <th colspan="2">2022/23</th> <th colspan="2">2021/22</th> </tr> <tr> <th>Classification</th> <th>Count</th> <th>%</th> <th>Count</th> <th>%</th> </tr> </thead> <tbody> <tr> <td>General Needs (incl. Temporary Social Housing)</td> <td>39,536</td> <td>64.3%</td> <td>39,029</td> <td>64.5%</td> </tr> <tr> <td>Intermediate Rent</td> <td>387</td> <td>0.6%</td> <td>417</td> <td>0.7%</td> </tr> <tr> <td>Affordable (GN & HoP)</td> <td>6,484</td> <td>10.6%</td> <td>5,978</td> <td>9.9%</td> </tr> <tr> <td>Supported (incl. Temporary Social Housing)</td> <td>1,125</td> <td>1.8%</td> <td>1,144</td> <td>1.9%</td> </tr> <tr> <td>Housing for Older People</td> <td>2,229</td> <td>3.6%</td> <td>2,262</td> <td>3.7%</td> </tr> <tr> <td>Low Cost Home Ownership</td> <td>7,711</td> <td>12.5%</td> <td>7,381</td> <td>12.2%</td> </tr> <tr> <td>Care Homes</td> <td>0</td> <td>0%</td> <td>0</td> <td>0.0%</td> </tr> <tr> <td>Private</td> <td>459</td> <td>0.7%</td> <td>554</td> <td>0.9%</td> </tr> <tr> <td>Other (e.g. NHS/MOD)</td> <td>3,526</td> <td>5.7%</td> <td>3,699</td> <td>6.1%</td> </tr> <tr> <td>Total</td> <td>61,457</td> <td></td> <td>60,464</td> <td></td> </tr> </tbody> </table>		2022/23		2021/22		Classification	Count	%	Count	%	General Needs (incl. Temporary Social Housing)	39,536	64.3%	39,029	64.5%	Intermediate Rent	387	0.6%	417	0.7%	Affordable (GN & HoP)	6,484	10.6%	5,978	9.9%	Supported (incl. Temporary Social Housing)	1,125	1.8%	1,144	1.9%	Housing for Older People	2,229	3.6%	2,262	3.7%	Low Cost Home Ownership	7,711	12.5%	7,381	12.2%	Care Homes	0	0%	0	0.0%	Private	459	0.7%	554	0.9%	Other (e.g. NHS/MOD)	3,526	5.7%	3,699	6.1%	Total	61,457		60,464	
	2022/23		2021/22																																																										
Classification	Count	%	Count	%																																																									
General Needs (incl. Temporary Social Housing)	39,536	64.3%	39,029	64.5%																																																									
Intermediate Rent	387	0.6%	417	0.7%																																																									
Affordable (GN & HoP)	6,484	10.6%	5,978	9.9%																																																									
Supported (incl. Temporary Social Housing)	1,125	1.8%	1,144	1.9%																																																									
Housing for Older People	2,229	3.6%	2,262	3.7%																																																									
Low Cost Home Ownership	7,711	12.5%	7,381	12.2%																																																									
Care Homes	0	0%	0	0.0%																																																									
Private	459	0.7%	554	0.9%																																																									
Other (e.g. NHS/MOD)	3,526	5.7%	3,699	6.1%																																																									
Total	61,457		60,464																																																										
C.3 What is the breakdown by type of Sovereign's % share and number of new homes (homes completed during the past financial year)?	<table border="1"> <thead> <tr> <th></th> <th colspan="2">2022/23</th> <th colspan="2">2021/22</th> </tr> <tr> <th>Classification</th> <th>Count</th> <th>%</th> <th>Count</th> <th>%</th> </tr> </thead> <tbody> <tr> <td>New homes</td> <td>1,672</td> <td></td> <td>1,109</td> <td></td> </tr> <tr> <td>- Social Rent</td> <td>507</td> <td>30.3%</td> <td>197</td> <td>18%</td> </tr> <tr> <td>- Affordable Rent</td> <td>584</td> <td>34.9%</td> <td>456</td> <td>41%</td> </tr> <tr> <td>- Shared Ownership</td> <td>485</td> <td>29%</td> <td>454</td> <td>41%</td> </tr> <tr> <td>- Open Market Sale</td> <td>96</td> <td>5.7%</td> <td>-</td> <td>-</td> </tr> <tr> <td>- Supported Housing</td> <td>-</td> <td>-</td> <td>2</td> <td>0%</td> </tr> </tbody> </table>		2022/23		2021/22		Classification	Count	%	Count	%	New homes	1,672		1,109		- Social Rent	507	30.3%	197	18%	- Affordable Rent	584	34.9%	456	41%	- Shared Ownership	485	29%	454	41%	- Open Market Sale	96	5.7%	-	-	- Supported Housing	-	-	2	0%																				
	2022/23		2021/22																																																										
Classification	Count	%	Count	%																																																									
New homes	1,672		1,109																																																										
- Social Rent	507	30.3%	197	18%																																																									
- Affordable Rent	584	34.9%	456	41%																																																									
- Shared Ownership	485	29%	454	41%																																																									
- Open Market Sale	96	5.7%	-	-																																																									
- Supported Housing	-	-	2	0%																																																									

ESG measure	Our response					
<p>C.4 How is Sovereign trying to reduce the effect of fuel poverty on its residents?</p>	<p>Our work with customers includes:</p> <ul style="list-style-type: none"> • Fuel Poor Identification and Prioritisation. We've developed our own bespoke Fuel Poor calculator, based on the BEIS (bre) FP Methodology to undertake assessments (where necessary). We then look to prioritise those homes that are fuel poor via our EPC2C programme. • Financial and Digital Inclusion Team has enabled 3,121 fuel poverty outcomes for customers including access to emergency fuel vouchers and information and advice through our partner, Pocket Power. We've also been directly contacting customers who have taken part in pilot around damp and mould sensors where data shows us that they are not heating their homes to offer support. <p>Our Sustainability Strategy sets out a plan to have all our homes are to an EPC band C by 2035, and EPC band B(86) by 2047, as part of our journey to net zero by 2050.</p> <ul style="list-style-type: none"> • Homes and Place Guide and Task Force, our group of directors from key directorates. • 10 dedicated energy efficiency pilots to deliver the most suitable technology mix for 260 existing homes. • Dedicated energy efficiency programme 'EPC2C' looks to target those homes most in need, by focusing on the lowest energy efficiency score first. <p>In 2023-24, targeting 785 homes for cavity wall insulation, loft insulation, air source heat pump heating, UPVCu Double Glazing and more.</p> <p>Under SHDF Wave 2.1 2023-24 and 2024-25, targeting 1,000 homes for retrofit per year.</p>					
<p>C.5 What % of rental homes have a 3-year fixed tenancy agreement (or longer)?</p>	<p>In October 2020 we stopped issuing Fixed Term Tenancies (FTTs) on our three-bedroom homes and smaller and converted all of these to assured tenancies by servicing a Section 2A notice. Only those in four-bedroom homes and larger remained on five-year FTTs, and since then we have only issued FTTs to customers moving in to four-bedroom or larger homes. There are 209 tenancies in four-bedroom or larger homes equating to 0.4% of tenancies.</p>					
<p>C.6 What % of homes with a gas appliance have an in-date, accredited gas safety check?</p>	<p>99.99%.</p> <p>One domestic property had no access and was with our legal team for court proceedings. 100% compliant for our non-domestic assets.</p>					
<p>C.7 What % of buildings have an in-date and compliant Fire Risk Assessment?</p>	<table border="1"> <thead> <tr> <th data-bbox="763 1129 992 1177">2022/23</th> <th data-bbox="992 1129 1220 1177">2021/22</th> </tr> </thead> <tbody> <tr> <td data-bbox="763 1177 992 1225">100%</td> <td data-bbox="992 1177 1220 1225">99.96%</td> </tr> </tbody> </table>		2022/23	2021/22	100%	99.96%
2022/23	2021/22					
100%	99.96%					
<p>C.8 What % of homes meet the Decent Homes Standard?</p>	<p>The number of homes meeting the decent homes standard is 99.94% – 28 homes do not meet the standard.</p>	<p>The number of homes meeting the decent homes standard is 99.99% – 7 homes do not meet the standard.</p>				

ESG measure	Our response
<p>C.9 What arrangements are in place to enable residents to hold management to account for provision of services?</p>	<p>Our Resident Board Partnership group meets around six times per year with senior management and Board members. It assesses business performance, requests resident-led scrutiny, offers a resident perspective on our services and provides input to influence policy and strategy. A new Chair was appointed in December 2022 and she leads the group of 11 residents plus two Board members. Our Scrutiny Co-ordination Group (SCG) has completed an extensive review of our repairs services over nine months from April 2022, resulting in nine key recommendations. The group completed two customer journey mapping exercises across mutual exchange and planned maintenance services, resulting in 32 key recommendations. This year our primary area of service investigation is damp and mould scrutiny, to give a customer view on our approach and make recommendations. Our Youth Panel is comprised of young people aged 21 to 25 and is a key voice in highlighting community issues, instigating youth social action and injecting ideas for positive change. This year it evaluated and awarded funding under our youth social action programmes, #iWill, supporting 11 project to realise over £95,000 of funding.</p> <p>We also launched our digital engagement platform, Engage Sovereign, providing even greater and more flexible opportunities to give feedback, help to shape and improve the quality of our services.</p>
<p>C.10 How does Sovereign measure resident satisfaction and how has resident satisfaction changed over the last three years?</p>	<p>We use STAR (Survey of Tenants and Residents), a framework for social housing landlords to collect and report on resident satisfaction. The perception survey asks how satisfied residents are overall, rather than a transactional survey which just measures satisfaction with their last service experience. From June 2022 we moved from quarterly to monthly surveys. This allows an up-to-date view of satisfaction and minimises seasonal variations.</p> <p>Despite challenging external conditions for our customers and the organisation, customer satisfaction in 2022/23 was 71%.</p> <p>Annualised overall satisfaction results*</p> <ul style="list-style-type: none"> • 2019/20 – 81% • 2020/21 – 81% • 2021/22 – 72% <p>*Taking everything into account, how satisfied or dissatisfied are you with the service provided by Sovereign?</p>

ESG measure	Our response																				
<p>C.11 In the last 12 months, how many complaints have been upheld by the Ombudsman?</p>	<p>18 determinations were upheld (severe/maladministration/service failure) by the Ombudsman Apr 22 – Mar 23).</p> <table border="1" data-bbox="770 325 1715 587"> <thead> <tr> <th></th> <th>2021/22</th> <th>2020/21</th> </tr> </thead> <tbody> <tr> <td>Complaints referred to ombudsman</td> <td>38</td> <td>13</td> </tr> <tr> <td>Upheld or partially upheld</td> <td>7</td> <td>5</td> </tr> <tr> <td>Not upheld</td> <td>12</td> <td>3</td> </tr> <tr> <td>Outside jurisdiction</td> <td>1</td> <td></td> </tr> <tr> <td>Pending outcome</td> <td>18</td> <td>5</td> </tr> </tbody> </table> <p>We have made or are in the process of making a number of changes to how we handle complaints based upon learnings gathered.</p> <p>These include:</p> <ul style="list-style-type: none"> • Implementing a centralised, case management complaints process • Collaborating closely with the ombudsman to ensure we remain compliant e.g. introduction of automated template letter templates, consultation on policy reviews • Proactively reviewing cases lodged with ombudsman seeking speedier resolutions for our customers • Recruitment of subject matter experts into Complaints team to drive quicker resolution 				2021/22	2020/21	Complaints referred to ombudsman	38	13	Upheld or partially upheld	7	5	Not upheld	12	3	Outside jurisdiction	1		Pending outcome	18	5
	2021/22	2020/21																			
Complaints referred to ombudsman	38	13																			
Upheld or partially upheld	7	5																			
Not upheld	12	3																			
Outside jurisdiction	1																				
Pending outcome	18	5																			
<p>C.12 What support services does Sovereign provide to residents? How successful are these services in improving outcomes?</p>	<p>We have a wide offer of support services for customers from short-term emergency support to enabling long-term change. Over the last year:</p> <ul style="list-style-type: none"> • Our Employment and Skills Team engaged with 960 customers, supporting 961 training outcomes and securing 302 jobs. They also worked with 82 people to provide business start-up advice and guidance. • Our Money Matters service generated 6,497 outcomes, saving our customers £383k. • Through the Digital Inclusion Team, 622 customers were given support to get online. • The Community Investment Team supported 435 community organisations, engaging with 5,484 people and enabling 55,646 beneficiaries in our community grants programmes. • #iWill has engaged 354 young people in youth social action and our Live Well initiative has produced 3,473 outcomes. • Our Partnerships and Fundraising Team have secured £2.6m in external funding to extend our reach and impact and we've measured £68.7m of social impact (using HACT's Wellbeing Valuation) across Community Investment and other support services in Sovereign. <p>Our in-house Customer Income Advisor team provides comprehensive money and welfare benefit advice to customers and is being expanded to our shared ownership, leasehold and market rented customers in quarter 2023/24. We have also extended our services to a specific in-house debt advice team.</p>																				
<p>C.13 Provide examples of case studies of where the housing provider has been engaged in placemaking or place-shaping activities.</p>	<p>We are heavily invested in placemaking activities and through the recent organisational transformation have created the role of a Placemaking Lead in our Community Investment Team. Over the past year, our Community Investment Team co-ordinated 47 new neighbourhood events and we have set ourselves the target of delivering 60 new neighbourhood initiatives in the next financial year.</p>																				

ESG measure	Our response						
C.14 Distribution of EPC ratings of existing homes (those completed before the start of the previous financial year).	EPC Band	Qty	%	2022/23	2021/22	2020/21	
	A	322	0.6%	70.3% A-C	64.8% A-C	62.8% A-C	
	B	11,960	23.8%				
	C	23,028	45.9%				
	D	12,488	24.9%				
	E	2,249	4.5%				
	F	149	0.3%				
	G	14	0.03%				
	No Data	9	0.02%				
	Total	50,219	100				
Average RdSAP score 73.297.							
C.15 Distribution of EPC ratings of new homes (those completed in the previous financial year).	EPC Band	Qty	%				
	A	112	6.7%				
	B	1,369	81.9%				
	C	189	11.3%				
	D	2	0.1%				
The EPC D properties were ground floor apartments with electric heating, and as electric is not seen as the favoured option under the existing SAP calculator this has resulted in lower rating for these two properties. We believe this will be rectified next year when factors are updated in favour of electric.							
C.16 Scope 1, Scope 2 and Scope 3 greenhouse gas emissions.	We have entered into Streamlined Energy & Carbon Reporting (SECR) and produced a Carbon Balance Sheet, which enables us to identify the material emissions sources in Sovereign Housing Association's overall value chain, and where we can make the most significant impact on global emission reductions. We worked with utilities consultancy Inspired Energy on SECR to produce our Scope 1 and 2 greenhouse gas emissions for the 2021/22 financial year. Our year two SECR report indicates a total carbon reduction from use of natural gas and electricity of 18%.						
	Our Carbon Balance Sheet covers all scoped emissions for 2022/23, including indirect scope 3 emissions from across our value chains, suppliers, and housing stock.						
		2021/22	2022/23	% Change			
	Scope 1	16.85	16.25	-3.5%			
	Scope 2	9.03	7.39	-18%			
Scope 3	n/a	830.4	n/a				

ESG measure	Our response
<p>C.17 What energy efficiency actions has Sovereign undertaken in the last 12 months?</p>	<p>Our energy efficiency programmes include:</p> <ul style="list-style-type: none"> • EPC2C 2022-23: 406 homes. • Low RdSAP 2022-23: 74 homes. • Planned and Responsive Replacement Programmes with energy efficiency impact. • Heating System; gas, air source heat pump. • High Heat Retention Storage. • Windows, doors, Cavity Wall Insulation installation and replacement. Loft Insulation installation and replacement. • EPC Data Cleanse – completion of individual home EPC score and band to the national data base (DULHC). • EPC Catch Up Programme – updating of EPCs for homes that have no EPC lodgements. • EPC Expired Programme – updating of EPCs for homes with expired certificates. Yet to start. • EPC Cyclical Programme – cyclical programme to maintain all homes with a current EPC. Yet to start.
<p>C.18 How has Sovereign mitigated the following climate risks? – Increased flood risk – Increased risk of homes overheating</p>	<p>We identify flood risks during planning stage and planning approvals.</p> <p>Our Homes and Place Design Guide and ethos is to improve health and wellbeing for all our customers as it relates to environmental conditions. We actively promote natural ventilation and double aspect windows to encourage cross-flow ventilation. The Homes and Place Assessment Tool encourages specific thinking and performance metrics, one of which is the use of the Good Homes Alliance Overheating Calculator which identifies overheating risks. On complex projects we would undertake dynamic modelling on an apartment by apartment basis which looks at proportion of windows / daylight and glazing specification, and works to help and mitigate overheating risk.</p>
<p>C.19 Does the housing provider give residents information about correct ventilation, heating, recycling etc? Please describe how this is done.</p>	<p>We've improved and enhanced our customer-facing material on all these topics through better web content, quarterly customer service updates (sent by email, SMS and post) and social media campaigns.</p> <p>Our <u>tips to avoid condensation, damp and mould</u> web content and printed customer guide were fully revised to explain advice on how to heat and ventilate a home to reduce any issues.</p> <p>We've created new content in more engaging formats to help customers make best use of their heating systems. This includes several 'how to' video guides with one of our electricians on our <u>electrics, electric heating and lighting</u> advice page. Providing captions, audio description and transcripts helps make sure the information is more accessible.</p> <p>A <u>Going Green</u> web page also aims to educate residents and give them efficiency tips for energy, waste and recycling, transport, and other lifestyle topics.</p>
<p>C.20 How is Sovereign increasing green space and promoting biodiversity on or near homes?</p>	<p>Across Community Investment, we've co-created 25 environmental projects, improving 6,939.9 sqm of green space.</p>
<p>C.21 What is Sovereign's strategy to actively manage and reduce all pollutants? What is our target and how do we measure performance?</p>	<p>We do not currently have a construction or design specification that sets pollution targets. We will work with our Environmental and Procurement Teams through 2023/2024 to agree metrics for the same and begin reporting against these in 2024/25.</p>
<p>C.22 What is Sovereign's strategy to use or increase the use of responsibly sourced materials for all building works? What is our target and how do we measure performance?</p>	<p>We do not currently have a construction or design specification that sets responsibly sourced materials targets. We will work with our Environmental and Procurement Teams through 2023/2024 to agree metrics for the same and begin reporting against these in 2024/25.</p>

ESG measure	Our response
<p>C.23 What is Sovereign's strategy for waste management incorporating building materials? What is our target and how do we measure performance?</p>	<p>We recycle 27% of waste disposed through Biffa, while 72% is incinerated for waste to energy. We send 1.2% of total waste tonnage, disposed of through Biffa, to landfill comprised of waste unsuitable for recycling and waste to energy, such as asbestos. We partner with Waste-2-Wonder to re-purpose office furniture to Africa. To date £21,458 worth of office furniture, representing 24,261 kg CO2e in carbon saving, has been re-purposed.</p>
<p>C.24 Does the housing provider have a strategy for good water management? If so, how does the housing provider target and measure performance?</p>	<p>We do not currently have a construction or design specification that sets water management targets. We will work with our Environmental and Procurement Teams through 2023/2024 to agree metrics for the same and begin reporting against these in 2024/25.</p>
<p>C.25 Is Sovereign registered with the Regulator of Social Housing (RSH)?</p>	<p>Yes.</p>
<p>C.26 What is the most recent viability and governance RSH grading?</p>	<p>G1:V2</p> <p>We returned to a top G1 rating in June 2023, after addressing issues with historic data relating to health and safety requirements in some communal areas in our blocks. We remained fully compliant in relation to our customers' homes.</p> <p>The Regulator of Social Housing downgraded the viability ratings of several large housing associations, including Sovereign, from V1 to V2 as the housing sector faces a very challenging economic environment.</p> <p>A rating of V2 is compliant and the Regulator's statement says that Sovereign's "financial plans are consistent with, and support, its financial strategy" and that Sovereign "has an adequately funded business plan, sufficient security, and is forecast to continue to meet its financial covenants."</p>
<p>C.27 What Code of Governance does the housing provider follow?</p>	<p>NHF Code of Governance 2020</p>
<p>C.28 Is Sovereign not-for-profit?</p>	<p>Yes.</p>
<p>C.29 How does the housing provider manage organisational risks?</p>	<p>The Board is responsible for risk management and delegates responsibility for scrutiny and oversight to the Audit & Risk Committee.</p>
<p>C.30 Has the housing provider been subject to any adverse regulatory findings in the last 12 months (e.g. data protection breaches, bribery, money laundering, HSE breaches or notices) - that resulted in enforcement or other action?</p>	<p>In December 2022, the Housing Ombudsman Service made a severe maladministration determination against Sovereign in respect of a complaint made by a customer.</p>

ESG measure	Our response		
C.31 What are Sovereign’s demographics of the board? And how does this compare to the demographics of Sovereign’s residents, and the area that they operate in?	Board	2022/23	2021/22
	% gender of board	60% Female 40% Male	63% Female 37% Male
	Average age of board	60	59
	Average tenure of board	6 years	5 years
	% BAME board members	10%	9%
	Customer data for lead or joint tenants		
	% gender of customers	60% Female 40% Male	63% Female 37% Male
	Average age of lead tenant	48.8	49
	Average length of tenure	11 years (10.7)	11 years
	% BAME customers	5% (note: we hold no/ unknown ethnicity data for 28% of our tenants)	4% (note: we hold no/ unknown ethnicity data for 1 in 5 of our tenants)
C.32 What % of the board and management team have turned over in the last two years?	2022/23	2020/21	
	Chief Financial Officer left in 2022 and was replaced by an interim Chief Financial Officer. One Board member left in 2022.	Chief People Officer joined in 2020. Chair was replaced in 2020, one Board member joined in 2021 and one Board member left in 2021.	
C.33 Is there a maximum tenure for a board member? If so, what is it?	Yes, nine years.		
C.34 What % of the board are non-executive directors?		2022/23	2021/22
	Non-executive directors	80%	81%
C.35 Number of board members on the Audit Committee with recent and relevant financial experience.	All members of the committee have recent and relevant financial experience (the committee is made up of 2 board members and 1 independent member).		
C.36 Are there any current executives on the Remuneration Committee?	No.		
C.37 Has a succession plan been provided to the board in the last 12 months?	Succession planning is normally delegated to the Remuneration and Nominations Committee who receive regular updates through the financial year		
C.38 For how many years has the housing providers current external auditor been responsible for auditing the accounts?	Since 2010, but was retendered in 2018 and change of senior partner.		

ESG measure	Our response	
C.39 When was the last independently-run, board-effectiveness review?	February 2023	
C.40 Are the roles of the chair of the board and CEO held by two different people?	Yes.	
C.41 How does Sovereign handle conflicts of interest at the board?	There is a Board code of conduct and a conflicts of interest policy. All interests are recorded in the register of interests and published on the Sovereign website.	
C.42 Does Sovereign pay the Living Wage?	Yes – we are accredited by the Living Wage Foundation and pay the voluntary living wage.	
C.43 What is the gender pay gap?	<p>2022/23</p> <p>Our mean gender pay gap is 5.8% and median gender pay gap is 5.4% as at April 2022 which we published in March 2023.</p> <p>In April 2022 our mean gender pay gap rose to 5.8% and the median rose to 5.4%. While the latest figures show that our gender pay gap has increased, the figure remains well below the UK average of 13.9% reported by the ONS. The rise in both figures is partly attributable to the market pay review we carried out for colleagues in our ‘trades’ positions. This review, which was then followed by a pay uplift for those in these positions had a larger and more significant impact on the average hourly rates for men. This is because most colleagues in our trades positions identify as male, drawing the average hourly rate for men working at Sovereign upwards. You can read more in our gender pay gap report.</p>	<p>2021/22</p> <p>Our mean gender pay gap is 5% and median gender pay gap is 3.5% as at April 2021 which we published in March 2022.</p>
C.44 What is the CEO-worker pay ratio?	<p>2022/23</p> <p>The chief executive to average pay ratio</p>	<p>2021/22</p> <p>10.53:1</p>
	9.13:1	

ESG measure	Our response	
<p>C.45 How does Sovereign support the physical and mental health of their staff?</p>	<p>We have an easily available employee assistance programme and occupational health scheme available to all employees. We also have trained mental health first aiders from across the business that also offer support to employees. We offer private medical insurance to all employees and several voluntary health benefits such as health cash plan and dental insurance that employees can purchase using their flexible benefits allowance.</p> <p>We also offer access to a discounted gym membership scheme for employees as well as discounts on sporting goods and activities.</p>	
<p>C.46 Average number of sick days taken per employee, per year?</p>	<p>2022/23</p> <p>The average number of sick days is 10.7, with short-term sick at 6 days and long-term sick at 4.8 days.</p>	<p>2021/22</p> <p>As of April 2022 (in a rolling 12 months), the average number of sickness days was 10.3.</p>
<p>C.47 How is social value creation considered when procuring goods and services?</p>	<p>We use a variety of methods to achieve social value through procurement. Our approach varies depending on the size, geography and duration of the contract. We can utilise the Social Value Exchange platform, which is an e-auction, to gain social value from suppliers and then directly link them with community beneficiaries. We also have our own internal Social Value Matrix and Social Value Levy. Over the past year, our suppliers have delivered 13 toolkits for apprentices, two trolleys of goods for foodbanks, good for a community centre refurbishment, two hampers full of Easter eggs for charity partners, two dementia workshops, a garden centre voucher, one higher level apprenticeship, four laptops and printing credit for a charity partner and £3,430 donated through the Social Value Levy.</p>	
<p>C.48 How is environmental impact considered when procuring goods and services?</p>	<p>We have developed a proportionate set of questions for tenders which are agreed with the Sustainability Lead ahead of issue. The question set is scored by a subject matter expert and is part of the overall evaluation of bids. The response to the sustainability questions forms part of the contract and on a contract specific basis will include KPI's and continuous improvement measures during the life of the contract. This will be recorded in line with SHA Supplier Relationship Management programme and feed into ESG reporting for Scope 3 emissions.</p>	



In conclusion

While we've seen some signs of the inflationary environment easing, the social, economic and political pressures of recent years will have ramifications for some time. This will demand more from us as a sector; in terms of the investment decisions we make, the quality of homes and services we deliver, how we are engaging and involving our residents and the way in which we demonstrate our performance.

We must continue to keep our eyes on our mission: to provide our customers with good, affordable homes in thriving and sustainable communities. We will continue to invest heavily in improving customer experience, tackling damp and mould, speeding up how we address complaints and getting repairs right first time.

We are pleased with the progress we have made in a number of areas – not least our Homes and Place Standard and environmental sustainability, our organisational transformation that puts customers at our heart, and our new values that reflect our culture and will help every single employee play their part in delivering for our customers.

But we know there is a lot more to do – including staying on top of housing quality issues, helping households that need our support and building net zero-ready homes that will stand the test of time.

Over the next year, some of our ESG priorities include:

- Continuing to put our Homes and Place Standard into action – making our long-term vision a reality in terms of the quality of our new homes, and the retrofit of our existing ones
- Driving and demonstrating more of our social value
- Greater precision and consistency around our Scope emissions – including making progress on Scope 3
- Continuing to embed an ESG process into our business, and delivering a more centralised and systematic way of collating and sharing ESG data
- Ensuring Sovereign is a great place to work

We remain wholly committed to working in partnership with our customers and communities, our fellow housing associations, politicians and partners.

We'd welcome your feedback on this report. Please contact: press.office@sovereign.org.uk



Sovereign Housing Association Ltd

Sovereign House
Basing View
Basingstoke RG21 4FA

T: 0300 5000 926

Sovereign Housing Association Limited is charitable
CORP-32225-ESG 2023WG

Please note: The content of this publication has not been approved by the United Nations and does not reflect the views of the United Nations or its officials or Member States.