Sovereign
Network
Group

Sustainable Finance Framework

August 2026

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Section 1: **Introduction to Sovereign Network Group**

Introduction

At SNG, we believe that good, affordable homes are the foundation for a better life. Our vision is to help create thriving communities, over generations. Formed in October 2023 through the merger of Sovereign and Network Homes, we manage and provide more than 85,000 homes across the South, West and East of England, including London, and we remain driven by a strong social purpose: ensuring that everyone has a safe home, feels part of their community and has the opportunity to flourish.

Sustainability sits at the heart of this commitment. We want to improve our environmental and social impact wherever we operate, and have therefore launched our environmental sustainability strategy, **Towards a Greener Future**. This strategy embeds consideration of the planet and nature into everything we do and strengthens our accountability around environmental, social and governance (ESG) goals. It is fundamental to our long-term vision of building resilient, thriving communities.

Over the next decade, we plan to invest substantially in new and existing homes, delivering 22,500 new homes and making significant upgrades to our current stock. As a charitable organisation, any surplus we generate is reinvested into delivering high-quality homes and services for our customers and neighbourhoods. Through the SNG Community Foundation, we will also invest £100 million in our communities over the next 10 years, expanding support services and unlock new sources of funding to improve quality of life for residents.

Sustainability strategy

Sustainability is central to SNG's purpose and long-term vision as we recognise that customers and communities cannot thrive if they are affected by climate change or by rising cost of living. Our Towards a Greener Future strategy, sets out the commitment to integrate consideration of the planet and nature into everything everyone at SNG does. It builds on the organisation's Corporate Plan and on the progress already achieved through our **Homes and Place standard**. This standard acts as SNG's core quality and sustainability benchmark and is central to the organisation's pathway to net zero.

Most of SNG's emissions come from its homes (Scope 3), and improving the performance of these homes therefore forms the largest component of the strategy. Our investment plan includes a dedicated programme to retrofit *our underperforming homes to EPC B and above*, supported in part by major grant funding through the Social Housing Decarbonisation Fund and Warm Homes: Social Housing Fund. The environmental strategy sits alongside SNG's wider ESG approach. This includes ongoing reporting against the Sustainability Reporting Standard for Social Housing, transparent monitoring of carbon emissions, and the development of a measurable and holistic ESG framework.

SNG is also committed to generating positive social impact. Through the SNG Community Foundation, the organisation plans to invest £100 million over the next decade to support local organisations, strengthen neighbourhoods and deliver at least £1 billion in social value. This includes programmes related to financial inclusion, employment, community partnerships and support for vulnerable groups. These environmental and social priorities are directly connected to SNG's Sustainable Finance Framework.

Our Homes and Place Standard

The standard ensures that environmental performance is embedded in every stage of SNG's development and asset decisions. It supports investment in green buildings through strict quality and design criteria; energy efficiency and reduced heat demand; renewable energy through the integration of technologies such as heat pumps, solar PV and battery storage; and affordable housing through high-quality homes that reduce long-term running costs for customers. Performance against the standard is monitored through SNG's Home and Place Assessment Tool. The long-term goal is for all SNG homes to meet a "Very Good" rating by 2050, aligning the standard with the organisation's wider investment plan to deliver 22,500 new homes over the next decade.

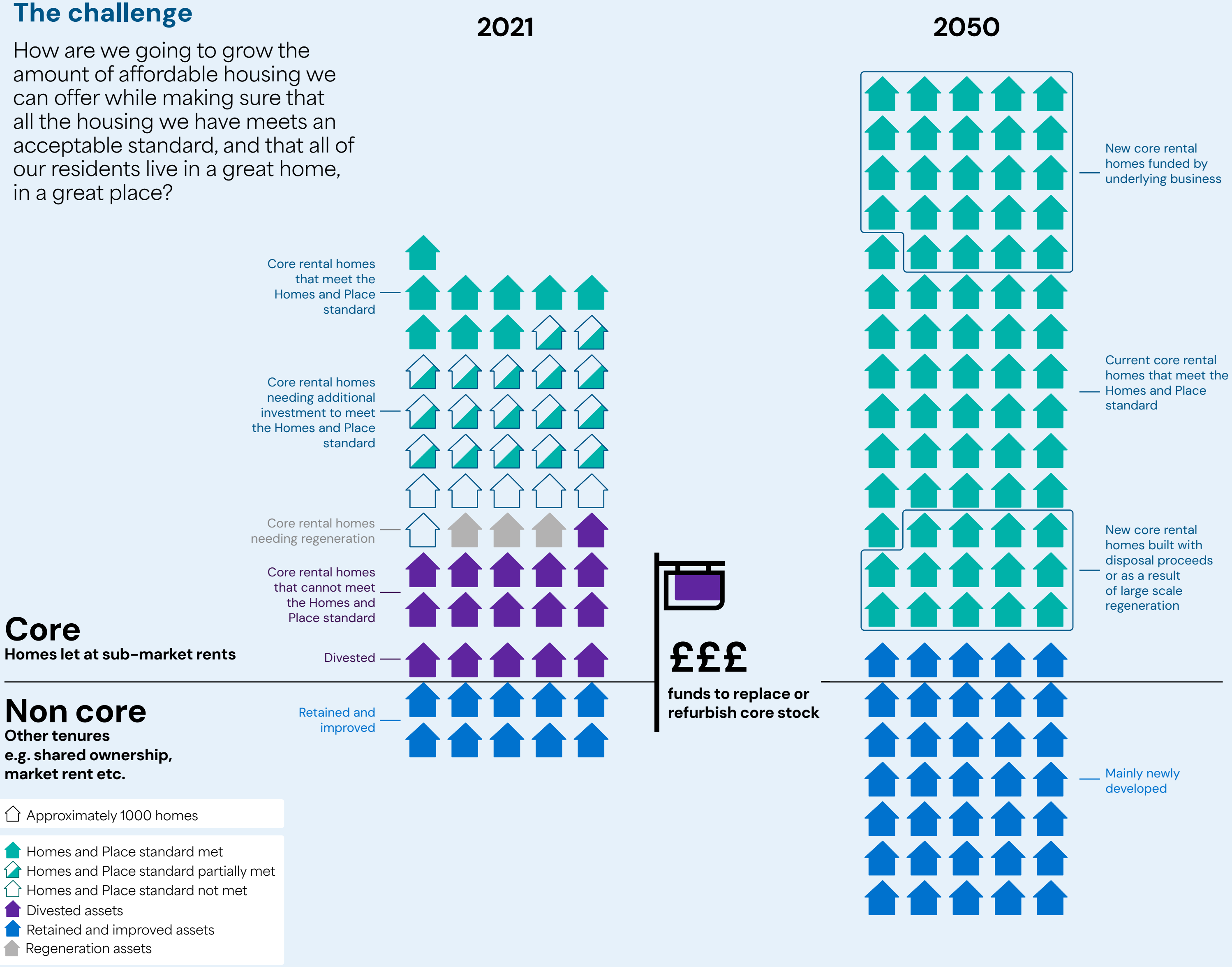
For existing homes, the standard shapes SNG's strategic asset management approach, including regeneration, disposal and one of the largest retrofit programmes in the country. This includes the installation of wall and loft insulation, new windows, air source heat pumps, solar panels, battery storage and smart home controls. These measures support significant carbon reductions and improved affordability, with some early retrofit projects reducing customer energy bills by up to half.

The standard also reinforces the delivery of affordable housing. SNG is committed to delivering new affordable homes year on year, with average rents of these units at a significantly reduced rate compared to market rent levels. By focusing on long-term affordability, comfort and reduced energy use, the standard ensures that SNG's affordable homes provide long-lasting social and financial value for customers.

Our Homes and Place Strategy 2021 – 2050

The challenge

How are we going to grow the amount of affordable housing we can offer while making sure that all the housing we have meets an acceptable standard, and that all of our residents live in a great home, in a great place?



Our retrofit programmes

Retrofitting our existing homes is one of the most significant components of SNG's environmental strategy and a major driver of our pathway to net zero. Most of SNG's carbon emissions come from the operation of less energy efficient homes, which impact customers through higher energy bills, colder properties and poorer health outcomes. Improving their energy performance is therefore essential to delivering warmer, safer and more affordable homes over the long term.

SNG operates one of the largest and most advanced retrofit programmes in the country, supported by a combination of government funding and substantial internal investment. Energy efficiency and renewable energy upgrades are central elements of the work, and the improved performance of existing homes also reinforces the affordability objectives that underpin our social and affordable housing provision.

Our approach begins with detailed digital assessments for every property, undertaken with our strategic partner Sero. These assessments consider the age, construction type, location, current energy rating and potential carbon savings. For each home, a tailored whole-house pathway is created, enabling phased upgrades that deliver maximum long-term impact.

The scale of investment is extensive. Measures include external wall insulation, loft and underfloor insulation, upgraded windows and doors, and the installation of renewable technologies such as air source heat pumps, photovoltaic solar panels, battery storage and smart home controls.

Our targets are ambitious but grounded in a clear plan. SNG aims to retrofit our underperforming homes to EPC B or above within the next decade. In 2026, over 77 percent of SNG's existing homes had already reached EPC C or better, providing a strong foundation for reaching future milestones. Early retrofit installations have demonstrated significant customer benefits, including energy bill reductions of up to half.

By modernising and decarbonising our homes at scale, SNG is delivering measurable environmental improvements, enhanced affordability and better health outcomes for customers. These programmes are at the heart of the use of proceeds under SNG's sustainable finance issuances, ensuring that investments deliver high-quality green buildings, improved energy efficiency and renewable energy integration within our affordable housing portfolio.

Social value and our community impact

Creating social value is central to SNG's purpose and ESG strategy. We invest for the long term so that customers can thrive in safe, affordable homes and resilient places. Since inception SNG has generated over £100 million of social value each year using the HACT Wellbeing Valuation method, reflecting outcomes in employment support, financial resilience, digital inclusion and community partnerships. This included fuel-poverty interventions such as energy vouchers, winter warm packs and tailored energy advice that help customers manage rising costs. Average rents across the portfolio are circa 50 percent of local private rents, underscoring our commitment to affordability alongside quality and sustainability.

The new SNG Community Foundation will invest £100 million over the next decade to unlock at least £1 billion in social value, scaling place-based partnerships and support for vulnerable groups across our localities. This programme complements our housing investment by strengthening community capacity, improving health and wellbeing and supporting tenancy sustainment.

Our social value work is closely connected to our strategy. The Homes and Place Standard sets expectations for quality, comfort and affordability, and our large-scale retrofit programmes reduce energy demand and integrate renewable technologies. Early projects have shown that some customers' energy bills can be reduced by up to half, translating efficiency gains into tangible affordability benefits. This reinforces the Affordable Housing use-of-proceeds category, while also supporting Energy Efficiency, Renewable Energy and Green Buildings through measured improvements to home performance.

Section 2: **Background of the Sustainable Finance Framework**

Our Sustainable Finance Framework aligns our financial strategy with our commitment to delivering lasting social value and environmental progress for generations to come. To date, SNG has raised more than £1.5 billion in sustainable finance, including sustainability linked loans and the issuance of a £400 million sustainability bond. This 2026 update of our Sustainable Finance Framework reflects our latest sustainability strategy as well as social- and environmental priorities. The framework is aligned with the most recent market standards provided by the International Capital Markets Association (ICMA) and Loan Market Association (LMA):

- ICMA Green Bond Principles – 2025[1]
- ICMA Social Bond Principles – 2025[2]
- ICMA Sustainability Bond Guidelines – 2021[3]
- LMA Green Loan Principles – 2025[4]
- LMA Social Loan Principles – 2025[5]

SNG has created this Framework to facilitate issuing a range of use of proceeds based instruments, including public or privately placed bonds, debt private placements, loans and revolving credit facilities (RCFs), funding Green, Social or a combination of expenditures (respectively Green, Social or Sustainability instruments; together, Sustainable Finance Instruments). All Sustainable Finance Instruments will be aligned with the framework, ensuring that investment supports eligible green and social projects and that SNG continues to report transparently to investors. Together, this approach ensures that sustainability is embedded across SNG's operations, investment decisions and funding, supporting resilient homes and communities over generations.

The Framework may be updated over time to account for new and updated domestic and international market standards and best practices. Future updates of the Framework will be subject to a Second Party Opinion.

[1] Green Bond Principles
[2] Social Bond Principles
[3] Sustainability Bond Guidelines
[4] Green Loan Principles
[5] Social Loan Principles

Section 3:
Sustainable Finance Framework

Framework

In line with market standards, the SNG Sustainable Finance Framework is structured along the following sections:

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

Use of Proceeds

We intend to deploy capital raised from investors to support our social and environmental objectives, spanning construction, retrofit and community investment. As a registered provider, these investments are critical for the delivery of our social mission of delivering high quality and sustainable housing in thriving communities.

An amount equivalent to the gross proceeds (Proceeds) of Sustainable Finance Instruments will be used or notionally allocated to finance and/or refinance Eligible Projects as outlined in the table below. Eligible Projects consist of fixed assets and capital expenditures (CapEx).

Whilst our funding requirements may change over time, we expect that Sustainable Finance raised under this framework will substantially contribute to the construction, refurbishment and maintenance of green and affordable housing, supporting our ambitious development pipeline and retrofit programme. Our selected Eligible Projects are core to our environmental and social sustainability agenda and should provide clear and tangible benefits for our stakeholders.

ICMA Category	Eligible Projects	Eligibility Criteria or Example Investments	Example Impact Metrics	SNG Corporate Plan Alignment	UN SDG Alignment	SRS Theme Alignment	Taxonomy Alignment
Affordable Housing	Development, acquisition, construction modernisation and ownership of Social or Affordable Housing	• Units to comply with the Government definition of Social or Affordable Housing, including Shared Ownership[6] • May include other forms of supported or sheltered housing Target Populations: Persons living below the poverty line (defined as low income households or individuals eligible for Social or Affordable Housing or other not-for-profit schemes / forms of housing administered by SNG), underserved (in terms of access to quality local affordable housing and financing), people with disabilities, and ageing populations	Number of new and existing properties constructed or refinanced by tenure Number of development pipeline properties Actual average rent charged versus private local market rent	More homes, better places	Target 11.1	Affordability and Security (T1)	N/A
Green Buildings[7]	Development, acquisition, construction or ownership of buildings	Buildings (in any of the pre-construction, construction or completed phases) meeting or targeting at least one of the recognised certification standards: • EPC and EIR rating band A or B We target that at least 50% of homes financed will meet SNG's Homes and Place 'Very Good' standard, including all new developments	Number of new or refinanced buildings meeting specified criteria with a split provided against our Homes and Place classifications	More homes, better places	Target 9.4	Climate Change (T6)	Climate Change Mitigation

[6] For the purpose of financing newly developed shared ownership properties under this Framework, a gross household income threshold of £80,000 (£90,000 in London) or less will initially be applied. This threshold may be refreshed by SNG when allocating Proceeds, reflecting changes in the level of the Consumer Prices Index (CPI) since the publication date of the Framework, and will be capped at the UK Government's prevailing gross household income limit for shared ownership eligibility, where it is applicable. A threshold will not be applied to the financing or refinancing of an existing shared ownership property (in relation to timing of the receipt of Proceeds) or one which has already been financed by a Sustainable Finance Instrument.

[7] Equivalent or replacement building assessment methodologies or scoring systems may be considered for practical reasons should there be a material change in the approach commonly used for scoring the environmental performance of buildings in the United Kingdom

ICMA Category	Eligible Projects	Eligibility Criteria or Example Investments	Example Impact Metrics	SNG Corporate Plan Alignment	UN SDG Alignment	SRS Theme Alignment	Taxonomy Alignment
Energy Efficiency	Renovation, retrofit, modernisation improvement or maintenance of buildings	Investments that result in or are expected to result in one of: • At least a 30% improvement in energy efficiency (as measured by a building's Standard Assessment Procedure (SAP) score or Primary Energy Demand (PED) • At least a two-notch uplift in the EPC to a minimum of EPC C • EPC and EIR ratings of A or B • Achieving a ranking within the top 15% of the national building stock following completion of works, expressed with reference to the EPC/SAP score, PED or a similar measure following completion of the works Capital and operating expenditures relating to whole house retrofit pilot projects exploring heat, energy generation, storage and digital controls solutions in order to inform energy efficiency improvements across our portfolio	Number of properties which have been renovated and achieved the standards outlined, split by EPC band Forecast and performance in use measured outcomes for retrofit pilot projects Avoided emissions (in tCO2e) Number and type of devices fitted	More homes, better places	Target 7.1	Climate Change (T6)	Climate Change Mitigation
	Installation of energy efficient devices in buildings	Investments and installations which have the potential to reduce energy consumption of properties in use, including: Measurement devices such as energy smart meters, smart thermostats Energy efficient devices or appliances and technology such as LED lighting, A and B rated household appliances[8] , communal heating systems not using fossil-fuels and sensing equipment Battery storage systems Performance in use monitoring					
Renewable Energy	Acquisition, investment in or Integration of renewables into projects or the energy system for buildings, and the maintenance of such systems	In accordance with SNG Homes and Place 'Very Good' standard: • On site solar photovoltaic or hot water panels, ground or air-source heat pumps and other wind systems operating at lifecycle emissions of less than 100gCO2/kWh	Homes and Place Performance Metrics relating to: • Installed capacity (kWh) • Energy generated (kWh) • Avoided emissions (in tCO2e) • Proportion of energy used from renewable sources (%)	More homes, better places	Target 7.2	Climate Change (T6)	Climate Change Mitigation

[8] Household appliances falling into the highest two populated classes of energy efficiency in accordance with Regulation (EU) 2017/1369

Process for Project Evaluation and Selection

SNG's Group Investment Committee (IC) has delegated authority from the Board to approve most development projects. Larger, more complex projects are evaluated and monitored in more detail by the Major Projects Committee (MPC). Both committees are ultimately accountable to the Board for providing oversight of development, commercial and asset management schemes including social and affordable rent, shared ownership, market rent or open market sale. The IC's remit includes scrutiny of projects involving remodelling, rehabilitation, regeneration and disposal of existing homes, alongside the approval and monitoring of all land acquisitions required to facilitate development projects. SNG's Strategic Asset Management (SAM) Panel also have delegated authority from IC to review and approve the sales of smaller schemes or individual sales.

The committees scrutinise and recommend updates to the Strategic Asset Management plans and the Homes and Place standard for Board approval. They monitor the performance of joint venture partnerships, ensure that the Board receives regular updates, and that emerging risks are escalated and dealt with in a timely manner. The committees review any reported environmental and social risks associated with investments and ensure such projects are appropriately managed, mitigated, and progressed in compliance with relevant laws, regulations as well as SNG's policies and standards. The IC comprises the Chief Executive Officer (CEO), the Chief Financial Officer (CFO) as the Chair, the Chief Operating Officer and the Chief Investment and Development Officer. The MPC comprises two non-executive directors who are also Board members and up to one independent member. The attendee list is non-exhaustive and only shows the key members for each committee.

The ESG Team, including the CFO, Treasury team, and Built Environment Director, will assume responsibility for overseeing, implementing and managing the Framework, as well as reviewing all investments and expenditure for potential allocation under the Framework. They will consult with key development and sustainability functions to inform its decision making and ensure that authorised investments and expenditures are aligned to our Corporate Plan and our environmental and social standards. The ESG Team will receive subject matter input from experts across the organisation, including the Chief Investment and Development Officer and various development directors. SNG has established a Sustainable Finance Asset Register which it will use to track projects, investments and expenditures identified as Eligible Projects.

The ESG Team meets quarterly and will incorporate reviews and approvals necessary for operation of the Framework on an ad-hoc basis as necessary.

The ESG Team will:

- Oversee establishment and updates of the Framework, reviewing and approving new Eligible Projects / Categories and ensuring that prevailing market standards are taken into consideration
- On an annual basis update and approve the list of Eligible Projects in the Sustainable Finance Asset Register (the Register) based on an evaluation on alignment with the Use of Proceeds criteria. Projects that are no longer considered eligible will be removed from the Register e.g. as a result of material disposals (such as a bulk stock transfer)
- Approve selected Eligible Projects to be (re) financed via the proceeds of Sustainable Finance Instruments issued under the Framework (i.e. allocation of proceeds) until full allocation
- Monitor allocated Proceeds from Sustainable Finance Instruments to ensure ongoing compliance with the Eligibility Criteria
- Prepare and publish allocation- and impact reporting
- Commission and approve any external assurance or review sought in connection with the Framework

Management of Proceeds

The Proceeds from any Sustainable Finance Instrument will be paid into SNG's main receipts account and the ESG Team will track and monitor an equivalent amount using internal reporting systems until at least full allocation of the Proceeds.

The ESG Team will notionally allocate the proceeds of issued Sustainable Finance Instruments against, or use these proceeds to finance or refinance, Eligible Projects on the Register. SNG will aim to ensure that, over time, Eligible Projects on the Register are equal to, or are in excess of, the outstanding Proceeds of Sustainable Finance Instruments issued or borrowed in relation to this Framework.

We intend to fully allocate the Proceeds to assets and capital expenditures (CapEx) within 24 months from their receipt into our accounts, however in case of allocation towards construction of new social or affordable housing units this period may be extended to 36 months. No lookback period will be applied to assets or CapEx. Before or after full allocation is achieved, it is possible that some Proceeds may be temporarily unallocated (e.g. as a result of disposals). In such a scenario, SNG aims to reallocate these proceeds to other Eligible Projects as soon as reasonably practicable.

Unallocated Proceeds will be used in accordance with our Treasury Management Policy, which amongst other uses may include being held as cash deposits, placed in sterling denominated money market funds or ESG bonds and deposits, as well as for the short-term repayment of other debt facilities before allocation to Eligible Projects. This process ensures that the Proceeds will not be used to directly fund or support activities in sensitive sectors.

Reporting

SNG will report annually on the allocation of Proceeds from any Sustainable Finance Instruments until full allocation has been achieved and thereafter in the event of any material reallocations resulting from reassignments or developments during the life of an outstanding instrument.

Allocation reporting will include, but is not limited to:

- Overview of Sustainable Finance Instruments issued and total amount of proceeds outstanding
- Allocation of proceeds to Eligible Projects in the Sustainable Finance Asset Register, including a breakdown of:
    - Eligible Project category and sub-category (if applicable)
    - The share of financing versus refinancing of new and existing Eligible Projects
- The amount of and how unallocated Proceeds are being held (if any), and any undrawn limits

SNG also intends to report on a selective number of material environmental and social impact indicators related to the Eligible Projects facilitated with the Proceeds. Examples of potential impact metrics are included along with the sample Eligible Projects within this Framework.

SNG's annual Impact and Sustainability Report will provide more detailed insight into our wider ESG performance and impact. The report is aligned with the Sustainability Reporting Standard for Social Housing, which is designed to help the housing sector measure, report and enhance its ESG performance in a transparent, consistent and comparable way. There are 46 criteria measures against 12 themes split across Environmental, Social and Governance topics.

We intend to publish our allocation and any impact reporting on our website.

External Review

Pre-issuance External Review

SNG has appointed Moody's ESG to provide a Second Party Opinion (SPO) on the alignment of this Framework with the Principles listed in Section 2. The SPO will be made publicly available on our website.

Post-issuance External Review

We intend to appoint an independent third-party reviewer to verify our allocation reporting. The report will be made publicly available for investors outlining any specific assurance levels provided.

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Sovereign Network Group is charitable.
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