

SNG Investor Presentation

October 2024



Presenting team



Peter Benz
CFO



Anup Dholakia
Director of Treasury

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- Community Investment & Sustainability
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- Development & Investment
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Overview & Corporate Plan



Our Corporate Plan

Purpose, goals and vision are aligned to quality homes and places



Overview



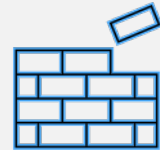
- **53%** of homes are houses, bungalows or maisonettes
- **49%** of homes constructed in the last **33 years**



- **73%** of core rented stock with SAP ratings **at or above EPC C**
- **£102.3m** of HACT Social Value generated in FY24



- **71%** customer service satisfaction
- **£5.6m** of investment in our communities in FY24 (£2.4m from external funding)



- **2,015 New Homes** handed over in FY24, 2nd most in FY24
- Low unsold stock (FY24 Q4: 298, FY25 Q1: 219)



- G1 Governance Rating, V2 Viability Rating
- Credit ratings: Moody's A3 (Stable) & S&P A (Negative) for SNG, and Fitch A- (Stable) for Sovereign Network Homes

Merger Overview

Merger underpinned by strong rationale and clear group vision

Two strong HAs increasing the ability to face sector headwinds

- Merger of two well run and resilient entities which will thrive together and be better than both associations run individually, providing more affordable homes for people who need them most
- The SNG merger saw an extensive pre-merger due diligence process. This allowed management to focus on developing an efficient and holistic integration plan to create better outcomes for customers

Increased financial resilience and recalibration of risk

- Improved covenant structure, larger balance sheet, providing greater financial capacity and spread of risk

Ambitious development programme and investment in existing stock

- To build up to 25,000 new homes and investment in our existing homes through retrofit and regeneration over the next 10 years
- Improved quality of existing social housing stock, with diversified stock portfolio

Transforming the customer experience

- To set a new standalone Community Fund investing £100m over 10 years
- Digitisation of the customer engagement to improve experience

Influential voice in the sectors

- Influence local and national policy as one of the country's leading Housing Associations and a member of G15
- Regular appearances at high-profile sector conferences including Housing 2024, CIH regional conferences, NHF Summit

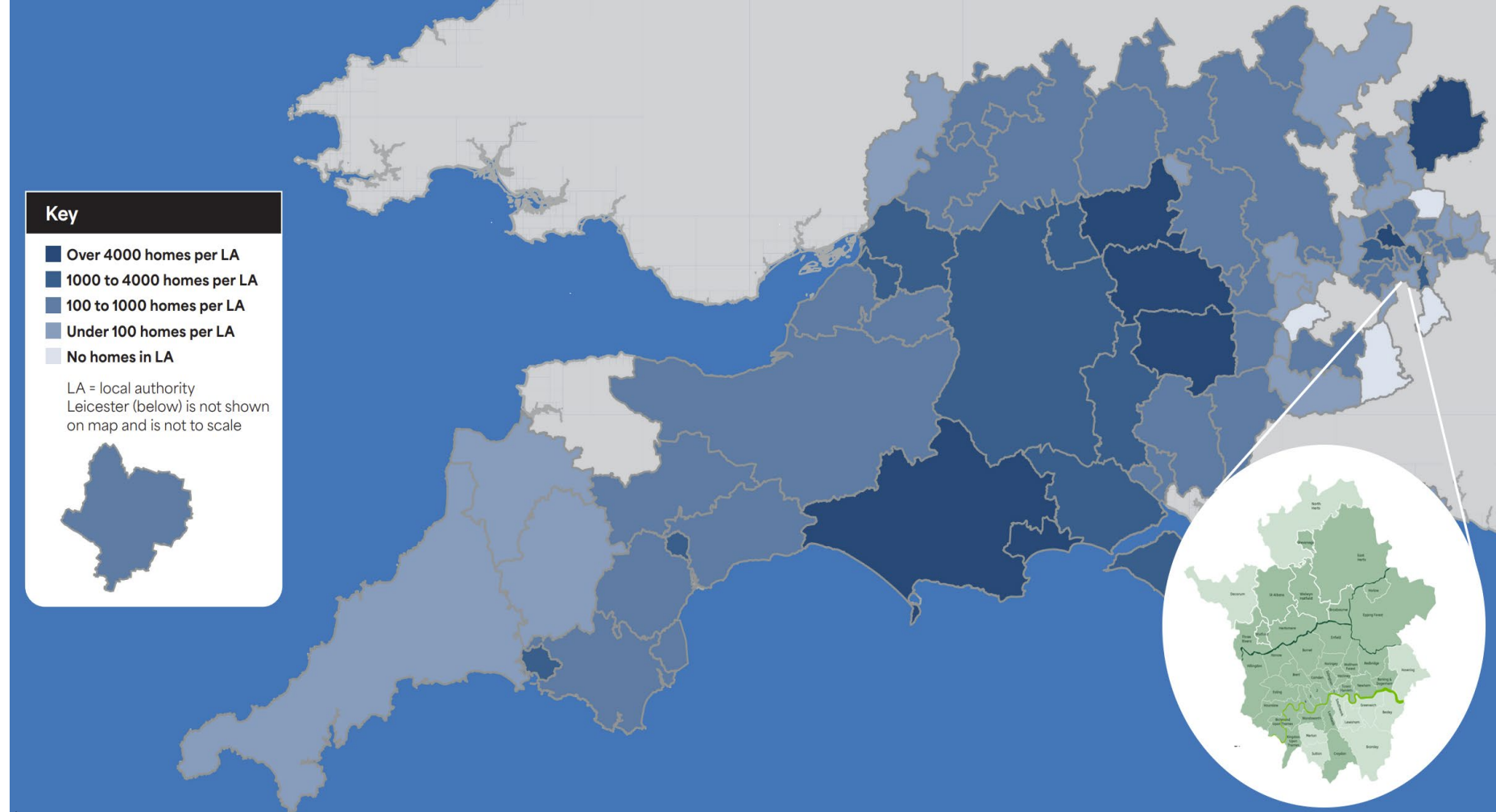
Our Homes

Own & manage over 84,000 Homes across 91 Local Authorities throughout London and the south-west, benefiting from having stock in connected geographies.

Although we provide a wide range of homes to meet customer needs, there is a common thread in that we aim to make them affordable to live in.

Over 73% of our rented homes have an EPC rating of C or above and we are investing in increasing this to 100% by 2030.

We will enable investment of £100 million over ten years through a new community foundation which will enable customers to have more say in their communities.



Sovereign Network Group

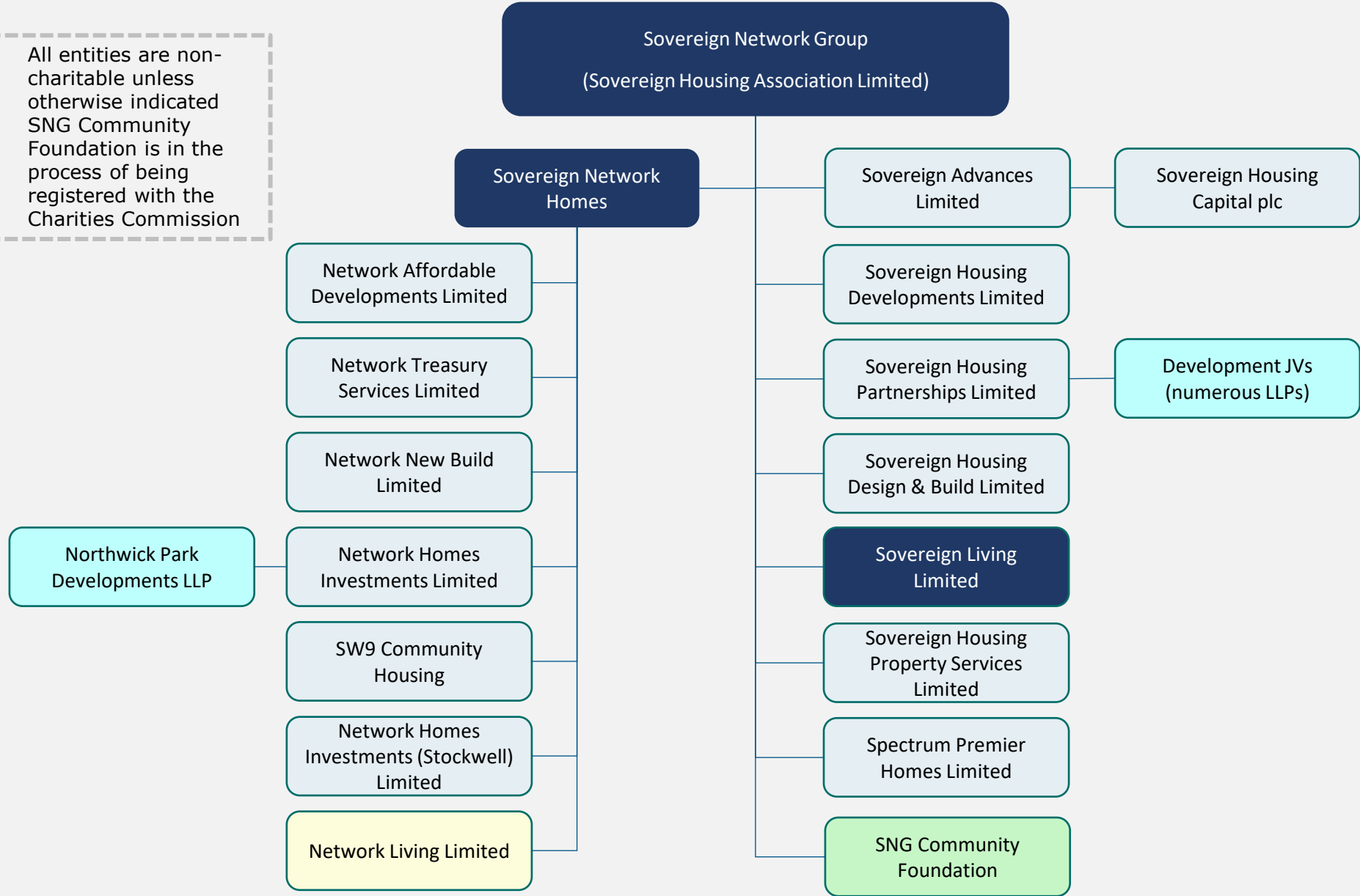
Top 5 local authorities	Number of homes
West Berks	8,129 (9.7%)
L.B. Brent	6,813 (8.1%)
Vale of White Horse	6,644 (7.9%)
Basingstoke and Deane	6,626 (7.9%)
Bournemouth, Christchurch & Poole	5,908 (7.1%)

Governance & Structure



Corporate Structure

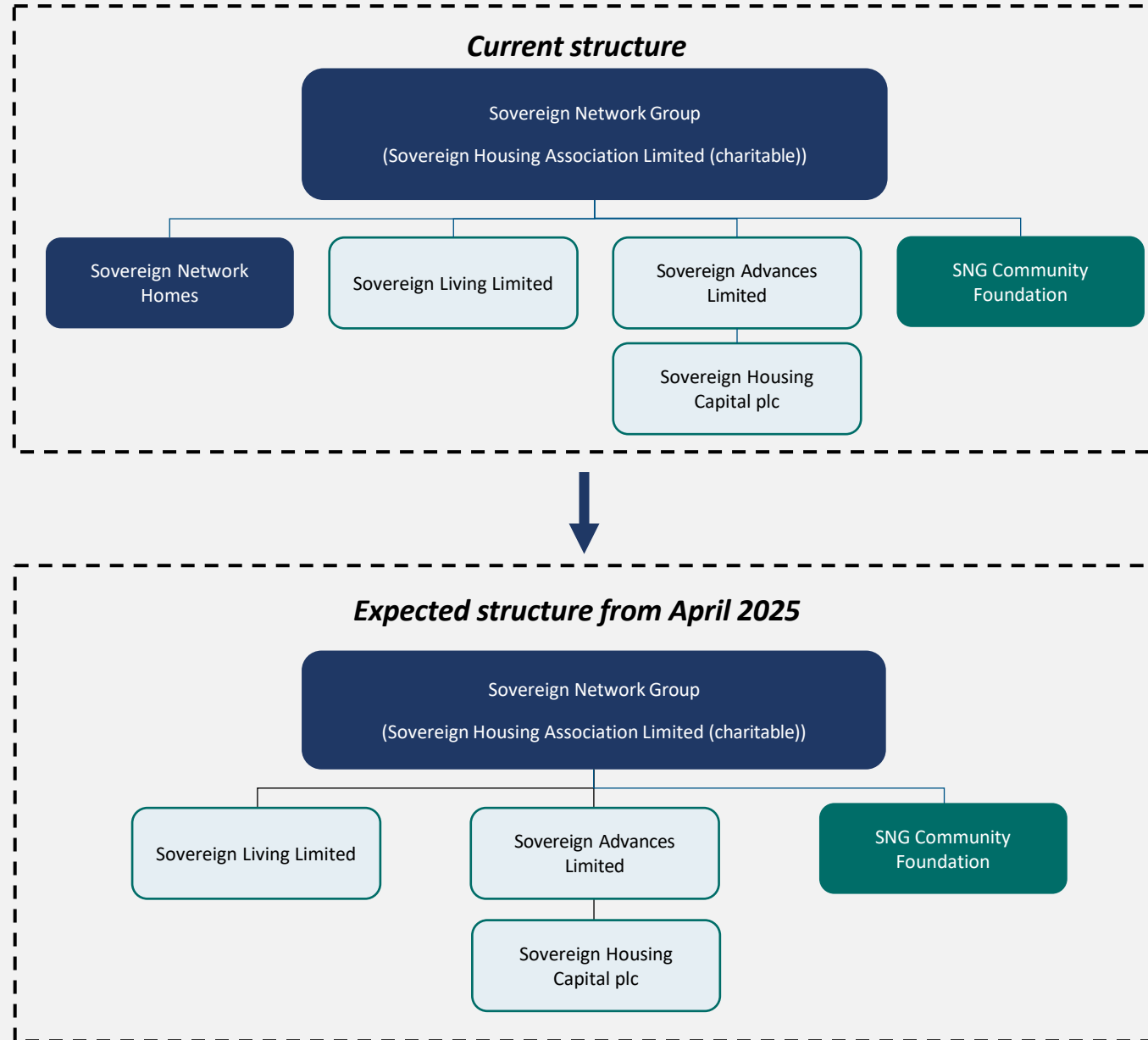
- All entities are non-charitable unless otherwise indicated
- SNG Community Foundation is in the process of being registered with the Charities Commission



Charity	RSH registered	Special Purpose Vehicle	Development LLP	Dormant
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Merger Integration

- Transitional period from October 2023 to March 2025
 - Enables structured transition of customer facing functions to avoid disruption
 - Minimises disruption to existing transformation programmes
- Deputy CEO leads Integration Programme
 - Significant resource allocation
 - Efficiencies targeted
 - Commitment to achieve best of both or better than both
- The transformation to SNG emphasises simplicity of structure, ultimately only having one primary asset holding entity



The Board

Strong governance framework underpins SNG Board oversight

Paul Massara
Chair



Jon Gooding
Vice Chair



Executive Board Members



Mark Washer
Group CEO



Helen Evans
Deputy Group CEO



Peter Benz
Chief Financial Officer

Angela Williams
Chair of Remuneration
& Nominations
Committee & Board
Member



Adeoye Adebayo
Board Member



Barbara Brownlee
Acting Chair of Major
Projects Committee &
Board Member



Bhavin Shah
Chair of the Treasury
Committee & Board
Member



Gareth Mostyn
Chair of the Audit &
Risk Committee &
Board Member



Jennifer Dykes
Board Member



The Executive Board

Highly experienced management team leading SNG



Helen Evans
Deputy Group CEO

Mark Washer
Group CEO

David Gooch
Executive Director
Development

Gerry Doherty
Executive Director
Operations,
London & Herts

Peter Benz
Chief Financial
Officer

Jamie Ratcliff
Chief
Communities &
Sustainability
Officer

**Tom
Titherington**
Chief
Investment &
Development
Officer

Nicole Sharp
Chief Customer
Officer

Kevin Ives
Chief
Information
Officer

Sally Hyndman
Chief People &
Transformation
Officer

Kirsten Keegan
Group General
Counsel



Community Investment & Sustainability



ESG and Sustainable Development

We are early adopters of the Sustainability Reporting Standard (SRS)

Sovereign Network Group has a dedicated Executive Board role, Chief Sustainability and Communities Officer. This role will support our Sustainability and Community focus for SNG, delivering enhanced environmental commitments shaped through the Homes and Place Standard covering all our homes and neighbourhoods.

Environmental

- SHDF grant funding of £19.8m to upgrade and improve the properties of SNG. SNG will also spend an additional £30m+ to take these properties beyond the minimum EPC C level to **EPC B+**
- **EPC C 70%+**, delivery plan to increase this to 100% in advance of 2030 regulatory requirements and commitment to operationally zero carbon housing portfolio by 2050
- **Homes and Place Standard** to roll out across SNG estate, improving biodiversity, reducing our carbon footprint and reducing our customers' bills
- New homes being built to meet the Homes and Place "very good" rating
- Streamed Lined Energy Carbon report and Scope 1, 2 and 3 emissions data published for FY24

Social

- c. **25,000 new homes** by 2034
- **New charitable foundation**, aiming to create £100m of investment over the next 10 years deploying a mix of internal and external funding.
- Increase **ease of service for customers** by building on the best of both associations and find new ways to engage with customers with new group-wide structures and pathways to ensure that customer voice shapes what we do and how we do it

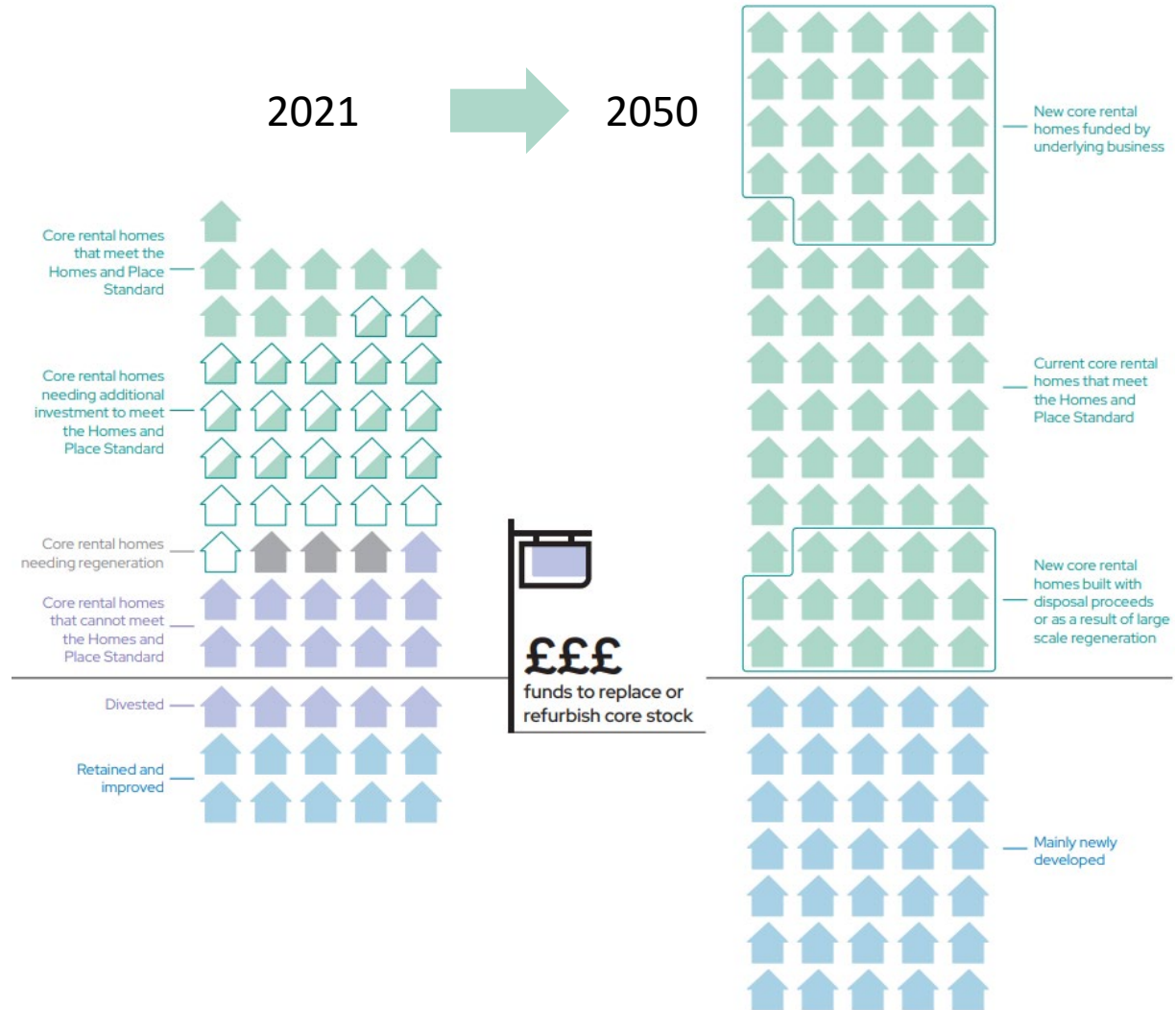
Governance

- SNG rated **G1/V2**
- NHF 2020 Code of Governance
- Eleven SNG board members appointed (eight NEDs, three EDs) – Equality, diversity and inclusion data for board members is available on our website

Strategic Asset Management Strategy

Sector leading strategy since inception with implementation underway

- Former SHA has completed asset grading on core stock, the grading of former SNH assets has commenced with 16,000 rented homes completed to date.
- Integrated Delivery
- Homes and Place Standard will inform investment decisions:
 - Regenerate
 - Dispose & Replace
 - Retrofit
 - New



Community Foundation and Social Value

Aiming to invest over £100m over ten years

Sovereign Network Group has a long-term commitment to the communities we serve, aiming to invest at least **£100m over ten years** making them more resilient and successful

We will **build on the strengths** that already exist in communities and the people that live in them

We will measure by impact and our primary goal will be to achieve **£1bn of social value** over the next decade

Place Based Change

- Developing long term **place-based intervention**, bringing a 'systems approach' to place, linking health (NHS), housing, private sector, education and policing to drive societal changes
- **Community Organising**: training customers to drive social action in their communities
- **Community Wealth Building**: Linking up social and commercial opportunities on joint venture, regeneration and major sites to maximise long term social value
- **Community Asset Development**: Supporting over 100 local community anchors (community centres) to thrive

Customer Support

- **Employment and training** – delivering sector-based academies and linking to national programmes of activity (e.g. Shared Prosperity Funding)
- Creating business start-up opportunities, social enterprises and create **local hubs of entrepreneurship**
- Increasing **financial and digital inclusion**, including debt advice

Partnerships & Funding

- Ambition to raise **£5m per annum in external funding** and match funding opportunities
- Drive colleague engagement through **volunteering**
- Develop philanthropic opportunities through the Community Foundation
- Rolling out **our Social Value and procurement framework**
- Support Housing Associations' **Charitable Trust's Social Wellbeing** development
- Exploring the development of long-term social investment opportunities

Community Investment Achievements Q1 2024-25



619 Training outcomes with customers and community members

£414,921.32
External funding secured



53
Jobs secured

9,749
Engagements in Community Investment



1,192
Financial Inclusion outcomes

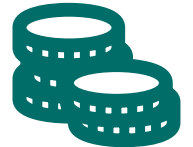


160
Community organisations supported



434
Fuel poverty interventions

215
Customer Engagements



£50m
Social value generated

£663,902.38 Savings to customer/ funds accessed for support



28
People accessing business start-up support



171 Digital Inclusion outcomes



182
Young people taking part in social action through #iWill Fund



Sustainable Finance Framework ('SFF')

Allocations and outcomes from proceeds issued under SFF

We allocate sustainable funding raised under the SFF to finance:

- Eligible spending on our existing affordable housing portfolio, or
- Specific, eligible sustainable projects including:
 - Affordable new build homes
 - Green buildings
 - Sustainable estates, communities and public spaces.

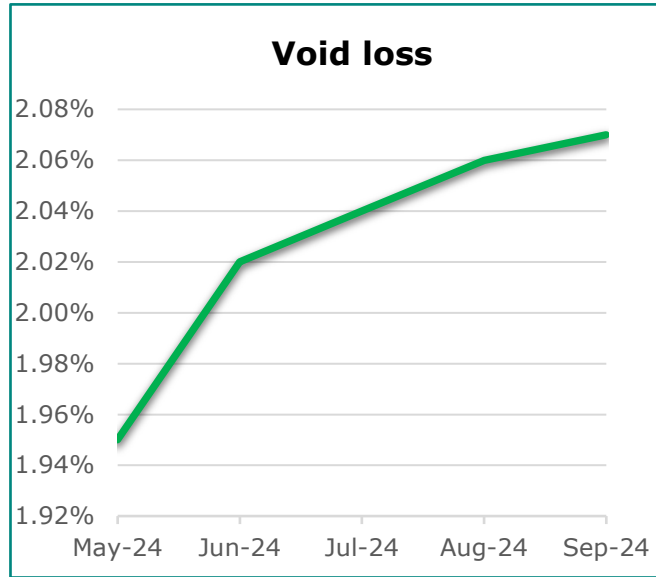
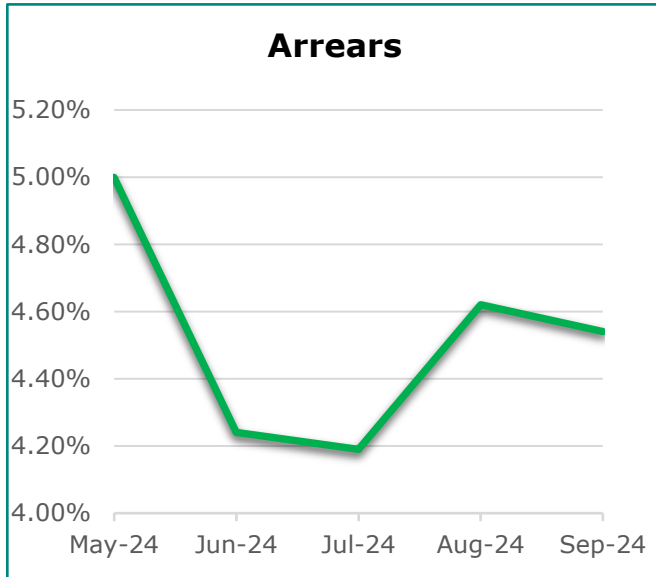
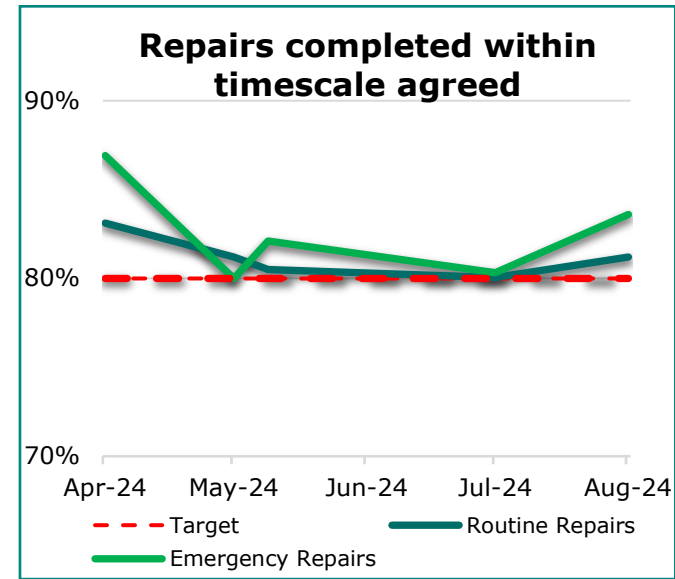
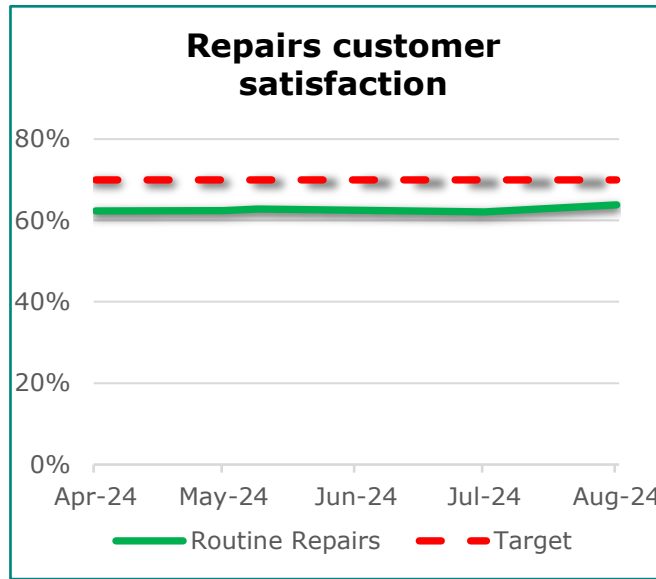
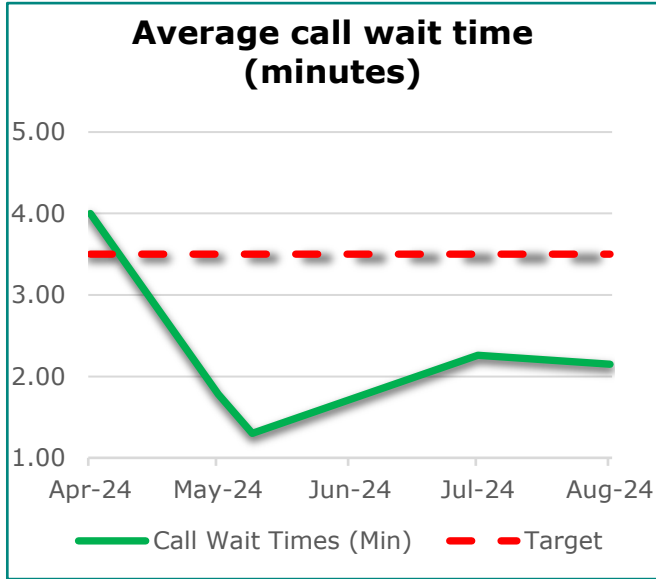
Issuance	Proceeds	Eligible projects	Outcomes*
Private Placement 2022	£200m	New affordable homes	Towards the development of 2,215 new affordable homes
Public Bond 2024	£400m	New affordable homes	Towards the development of 2,025 new affordable homes

* - Proceeds from historic issuances under the SFF have been allocated against scheme costs which are involved in the delivery of affordable homes outlined in the 'Outcomes' column in the table above. The proportion of proceeds as a percentage of total scheme costs will vary from scheme to scheme. Therefore the proceeds will typically part-fund the outcome deliverables.

Operating performance



Operational performance



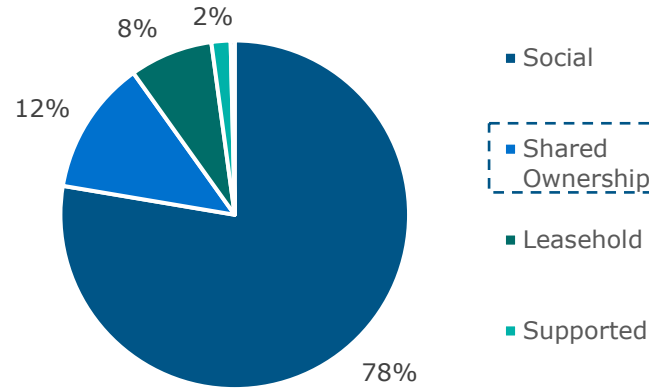
Strong contract management has driven improvement in repairs metrics.

Please note the arrears graph is inclusive of all tenures, not just general needs (i.e. General Needs, Housing for Older People, Garages, Leasehold and Shared Owner).

Void loss figures exclude those properties which are held for disposal through our Strategic Asset Management programme.

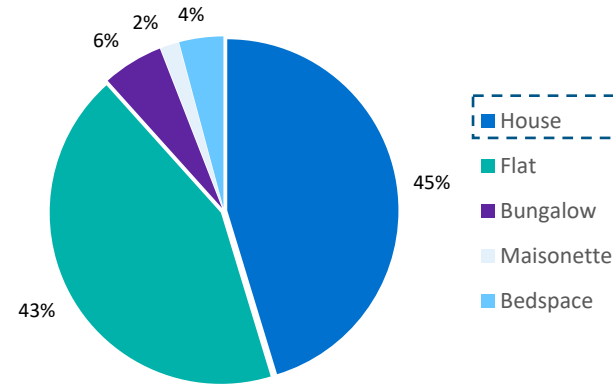
Asset profile

Stock split by tenure type (%)



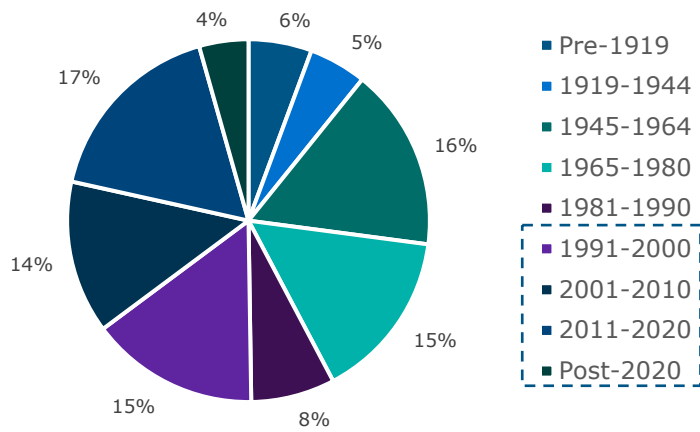
High proportion of stock dedicated to SH highlights the strong social values of SNG

Stock split by property type (%)



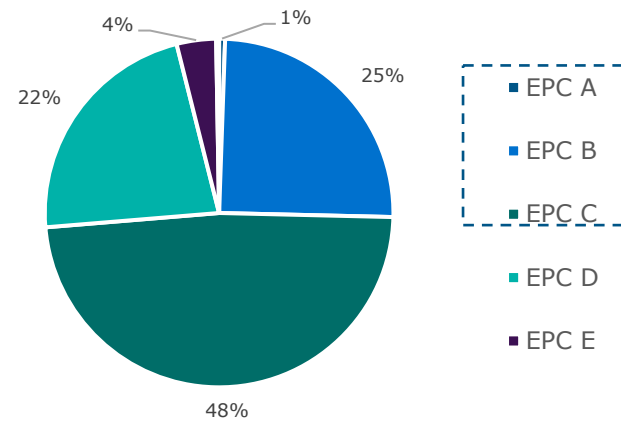
Relatively high proportion of stock is houses compared to peers, therefore less complex maintenance needs and lower life cycle costs

Date of construction (core rented stock)



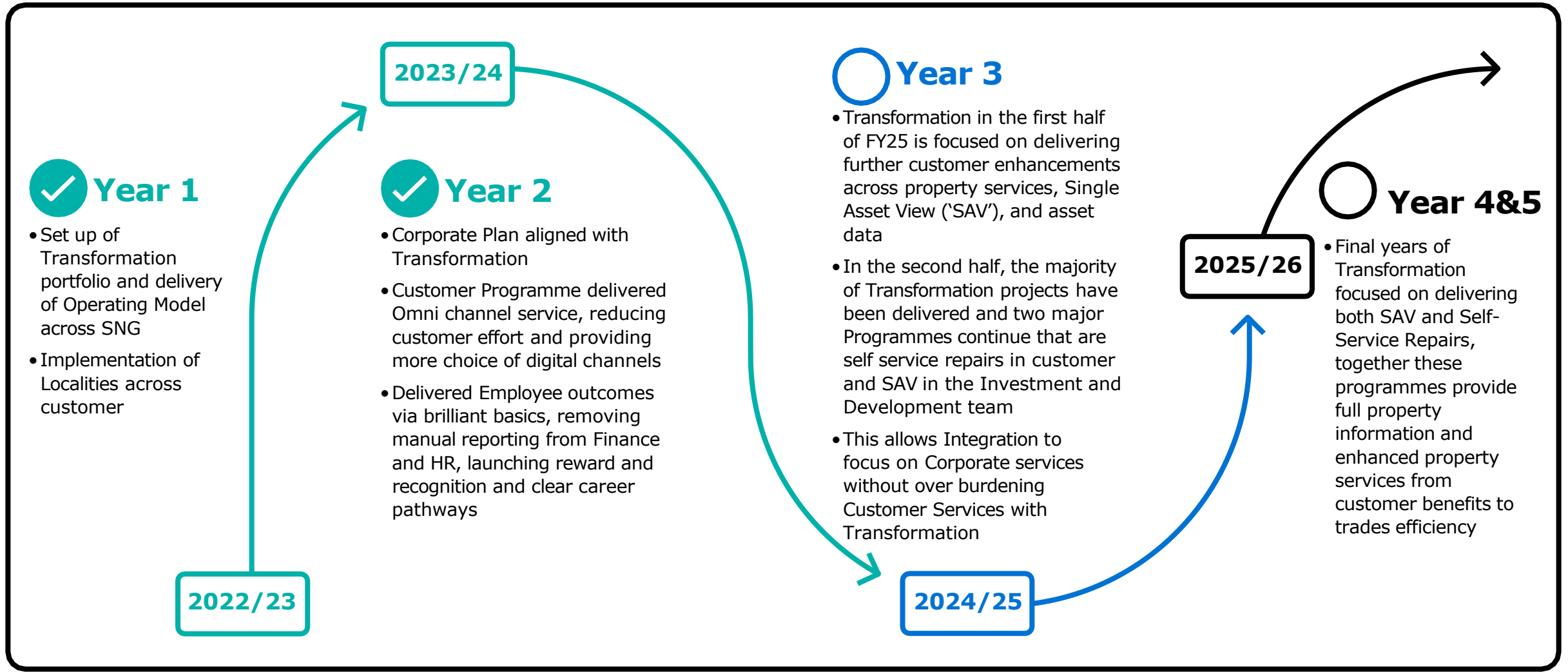
c.49% of property constructed in the last 33 years demonstrates relatively modern stock

EPC (core rented stock)



c.70% of stock at EPC C or higher shows ongoing commitment to ESG targets

Transformation investment – 5 year summary



Cyber security

- Programme of activity underway to harmonise our cyber policies, processes and controls following pre-merger due diligence.
- We continue to deliver a programme of continuous cyber control maturity improvements based on industry best practice with recent positive audit outcomes and an independent 3rd party cyber specialist assessment.
- We have an annual mandatory cyber training programme and an ongoing gamified phishing simulation tool for all staff.
- We have established IT incident management procedures across SNG which include how we deal with business impacting cyber incidents.
- We have SNG-wide cyber KPIs which are regularly reported to the Executive Director sponsored governance board
- Both RPs have cyber insurance, we are looking to merge the insurance to have one SNG-wide cyber policy later in the year.

Development & Investment

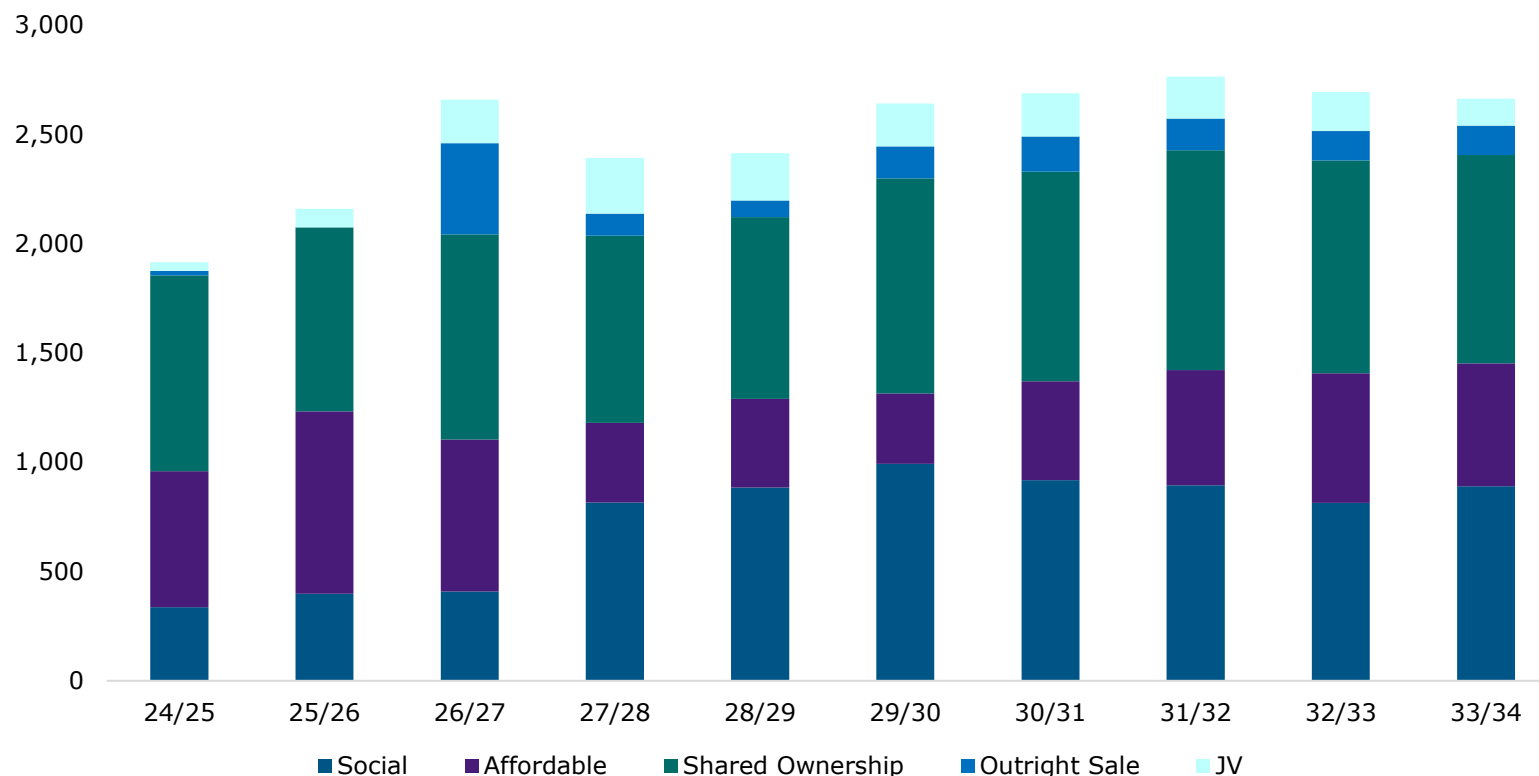


- Capital investment in new stock of £6.5bn, creating up to 25,000 new homes, addressing the demand in our core geographical areas (West, South, London & East).

It is intended the merger will deliver c. 4,000 more homes than the RPs would have achieved individually. Development activity will also play a role in lowering the average age of stock, improving financial resilience and lower the average cost of maintaining our homes.

- We will use our scale & geography to respond to housing demand, to flex and de-risk our programme. Two-thirds of development is outside London.
- Limited sales exposure across the life of our plan, because the majority is shared ownership and not open market sales – 219 unsold stock as at FY25 Q1 (down from 298 as at FY24 Q4).
- Working with strategic development partners, creating homes that meet our Homes and Place Standard, creating homes fit for the future.
- Market sale typically derisked through delivery route of JV, forward sale or forward funding.

Development programme



Building Safety

Higher Risk buildings all registered with the Building Safety Regulator

- SNG have taken a risk-based approach to assessing and remediating building safety risk
- Expenditure for building safety built into baseline business plan
- Damp and mould – dedicated teams in place to manage reporting and cases

Key compliance areas as at end August 2024 (entity shown where metrics not currently available at SNG level)			
Compliance area	Former SHA	Former SNH	SNG combined
Gas communal	100%	100%	100%
Gas domestic	100%	100%	100%
Fire safety actions	88.07%	92.80%	91.88%
Fire risk assessments	100%	100%	
EICR (Electrical safety) communal	97.55%	99.82%	
EICR (Electrical safety) domestic	94.69%	97.34%	

Building Safety

- Remediation requirements concentrated in London and East region, with an accelerated remediation programme concluding in 2025-2026 for all priority 1 buildings

Key compliance areas as at end August 2024		
Compliance area	Number of Buildings	Number of Affected Units
18m+ Buildings or 7 Storey	77	3,303
Of which require assessment	67	2,991
Assessments Completed	66	2,961
Of which require rectification	27	1,370
Rectification works completed to date	12	613
Rectification works still to complete	15	757
Estimate Timeframe For Completing Outstanding Assessments	Completed	
Estimate Timeframe For Completing Rectification Works	31 March 2026*	

*This is timeframe for SNH works (14 Buildings) to be completed. The 1 building for former SHA does not have an estimated completion yet.

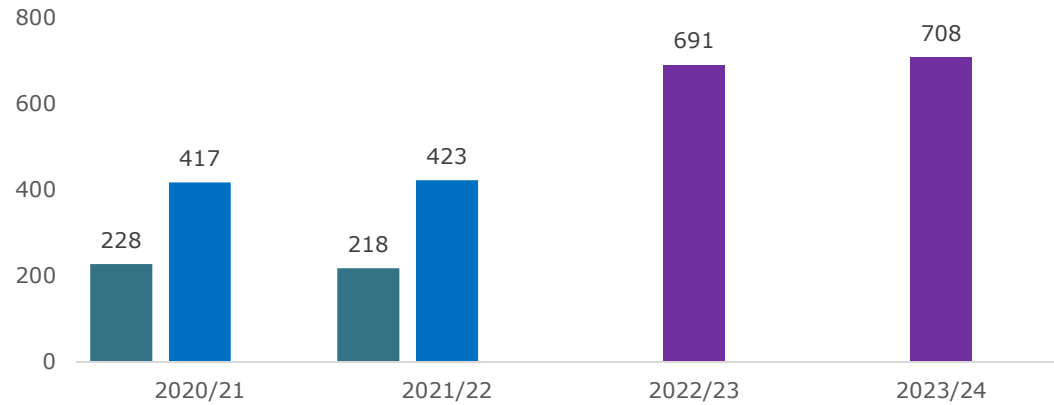
Finance & Treasury



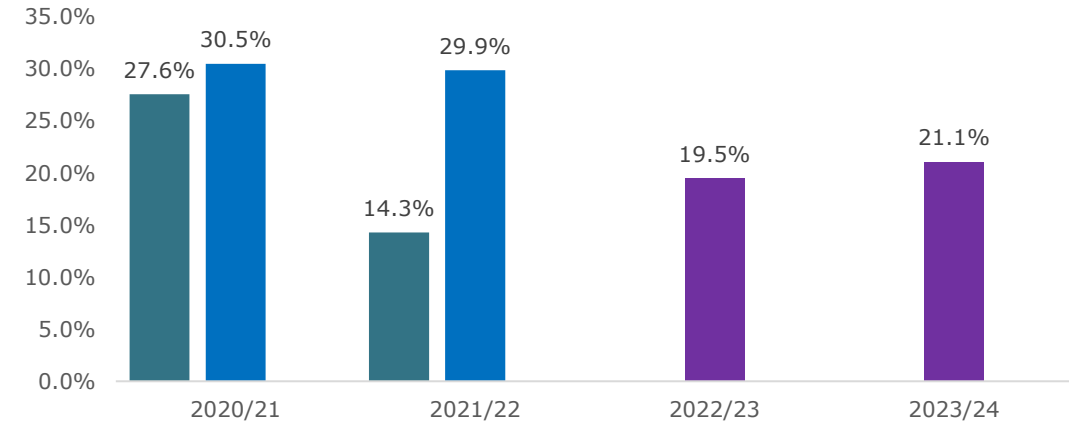


Historic financial performance

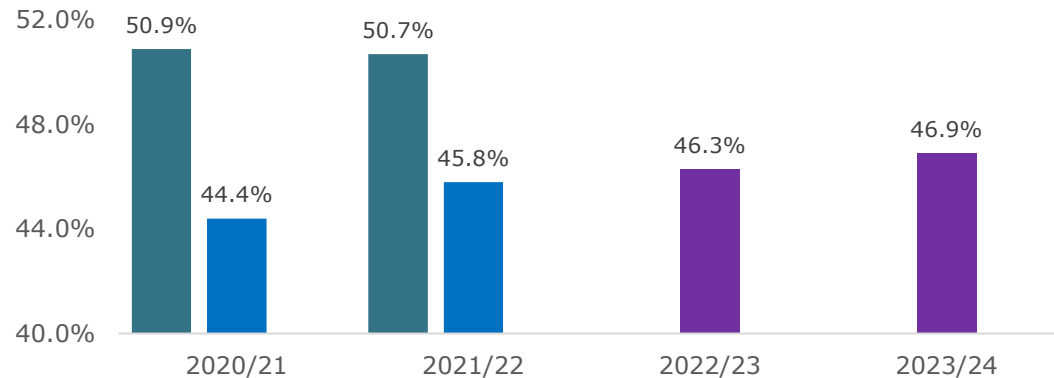
Turnover (£m)



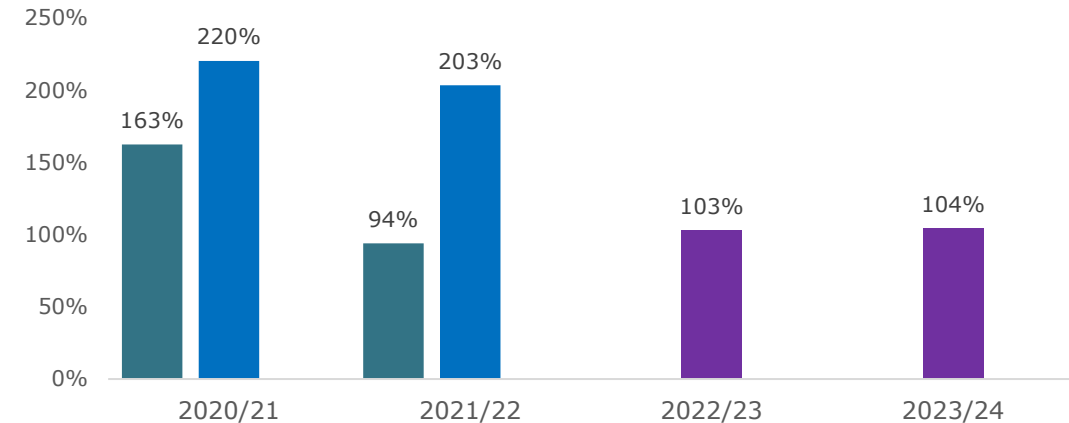
Operating Margin (%)



Gearing (%)



EBITDA MRI (%)



Business plan protection cycle ('BPPC')

Business plan

This provides the base line including relevant assumptions and Golden Rules, against which agreed sensitivities and scenarios are run as part of Stress Testing.

Recovery Plan

This prevents SNG from exceeding its Golden Rules and external covenants, and forms part of the Business Plan.



Stress testing

These provide SNG with the parameters with which to inform the basis for the Early Warning Report

Early Warning Report

This is cross referenced against the Risk Register and indicates to the business the need to implement Mitigation Actions.

Mitigation Actions

Based on the specific issue which poses a risk to SNG, these inform a Recovery Plan.

Treasury management and Golden Rules

Governance

- The Treasury Management Policy sets the framework for managing treasury activities and encompasses strong governance procedures
- The Board delegates responsibility for the approval and regular review of the policy to the Treasury Committee

Capital Structure

- Combination of capital markets via public bonds and private placements, bank debt, Social Housing Grant funding and retained surplus

Liquidity

- Minimum liquidity policy: cash and finance facilities to cover **at least 18 months** – 75% of forecast sales revenue is included, but excludes 100% of potential portfolio sale disposals and includes all committed and approved development scheme expenditure
- As at FY24, SNG had debt facilities of £4.5bn of which **undrawn loans totalled £901m** and held £63m in cash – since merger £875m+ of additional or restated facilities have been put in place supporting SNG’s liquidity position
- Counterparty exposure managed by keeping cash balances low and retaining facilities across different funders

Category	Golden rule	Threshold	FY25 P4
Cashflow	Liquidity Policy	18 months+	21 months ✓
	EBITDA-MRI Interest Cover	>100%	146.2% ✓
Statement of Comprehensive Income	Operating Margin	>23%	23% ✓
	Sales as a % of Turnover	<35%	16.5% ✓
Covenants*	Interest Cover	>145%	250.1% ✓
	Gearing	<60%	55.3% ✓

* - Covenants are assessed against different entity levels (e.g. SHA, SNH, SNG Consolidated) depending on the specific facility agreement. For ease of reference, the performance in the table represents SNG consolidated performance against the tightest Golden Rule threshold assessed at any level, being the best measure of business performance post-Transfer of Engagements.

There is significant headroom against all covenants within SNG at all levels.

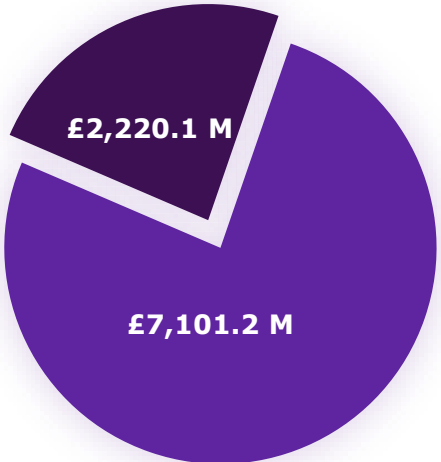
Asset and Debt Portfolio – FY24

Over £2bn of unencumbered assets, excluding properties in the course of construction

Over £900m of available undrawn facilities as at year end FY24

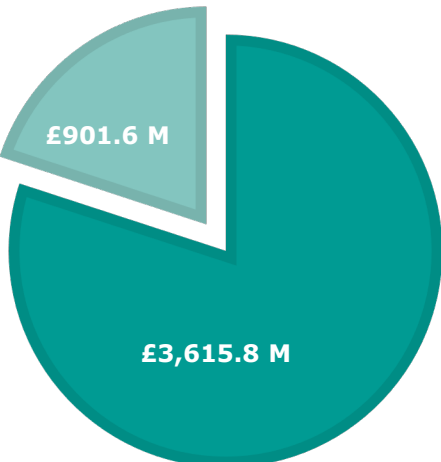
High proportion of fixed rate debt to mitigate against interest rate risk – above the minimum of 50% prescribed by our Treasury Management Policy Statement

SNG ASSET VALUES



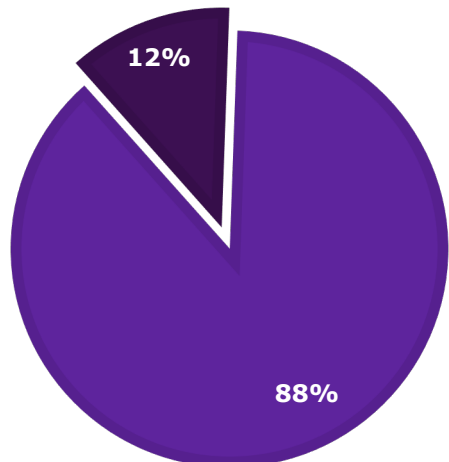
■ Charged Units ■ Uncharged Units

DEBT POSITION



■ Drawings ■ Available

SNG FIXED/FLOAT DEBT SPLIT



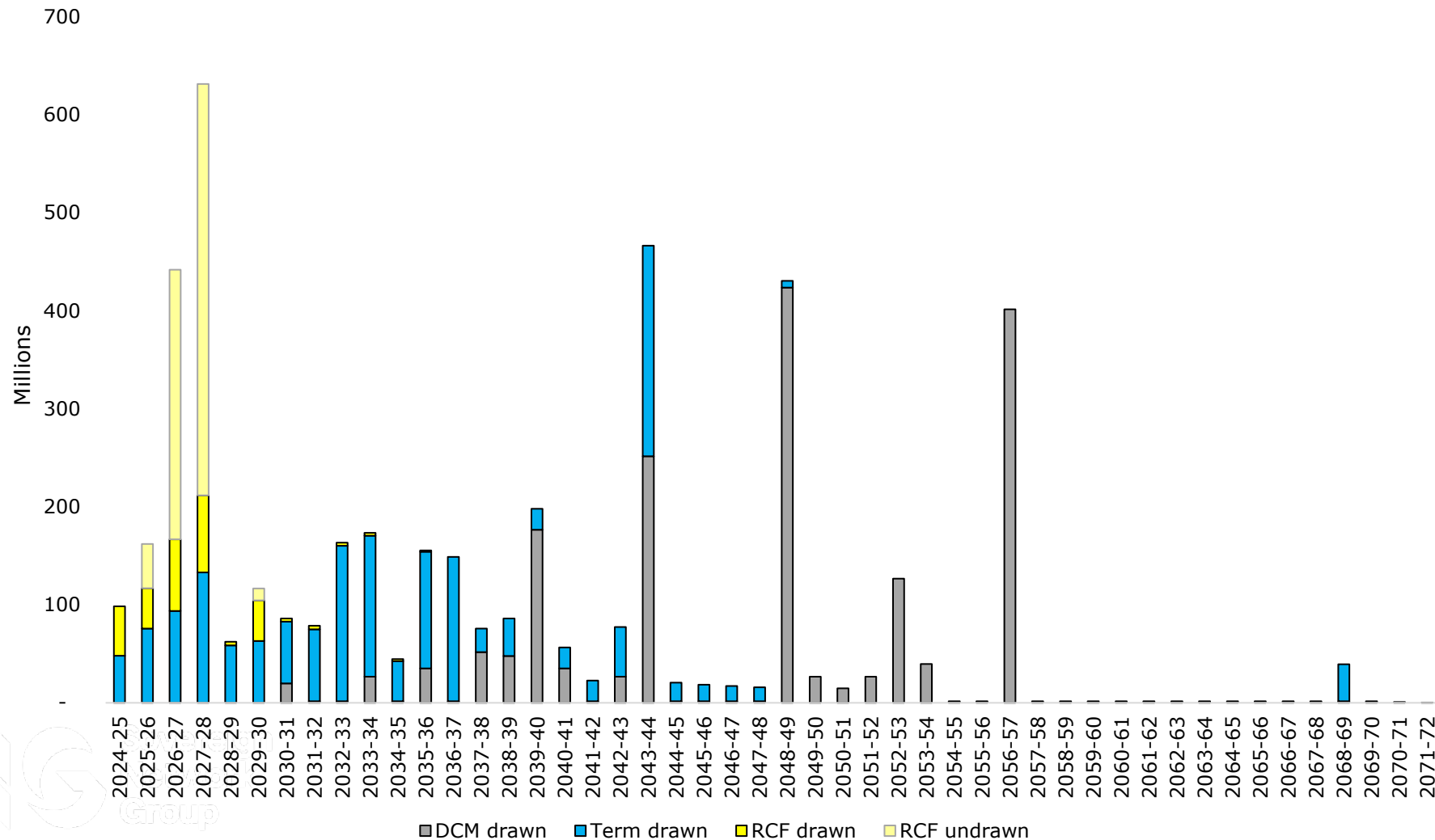
■ Fixed ■ Float

Cost of Debt FY24 - SNG
4.2%



Debt maturity profile

SNG facility maturity profile



- Smooth maturity profile
- Low refinancing risk – with the bulk of facilities maturing in the short term being undrawn
- Many facilities maturing in the near term are RCFs with extension options with funders
- Included in the portfolio are 12 bank lenders with average balance sheet support to SNG of c. £176m



Additional Information

Homes & Place Standard - <https://www.sng.org.uk/about-us/homes-and-place>

Annual Accounts – [2024 Annual Accounts](#)

ESG Statement – [ESG Statement PDF](#)

Corporate Plan – [Corporate Plan PDF](#)

Quarterly Financial Update – [Quarterly Update](#)

Impact and Sustainability Report - [Impact and Sustainability Report PDF](#)

Investor Relations Website – [Investor Relation Webpage](#)