



Welcome and Introductions

Tracey Barnes, Chief Financial Officer

Tom Titherington, Chief Investment and
Development Officer

Graeme Gilbert, Treasury Director

Sovereign Non-Deal roadshow July 2022



Mark Washer
Chief Executive
Appointed June 2018



Nicole Sharp
Chief Operating Officer
Appointed July 2019



Tracey Barnes
Chief Financial Officer
Appointed October 2019



Tom Titherington
Chief Investment and
Development Officer
Appointed July 2019



Sally Hyndman
Chief People Officer
Appointed January 2021



Kevin Ives
Chief Information Officer
Appointed August 2019

How we operate

Our Executive Board (EB) comprises six directors and is led by our Chief Executive, Mark Washer

Our Board includes 9 non-exec and 2 exec members, led by our Chair, Paul Massara.





Embracing change, shaping the future

- The economic, political and social climate is challenging – uncertainty and impact on Rent review and supply chain inflation
- We are resolutely focused on being customer-focused in all we do
- We need to meet housing need *and* upgrade our assets
- Our finances remain strong

A major business with strong credit ratings 2021/22

£290m investment in new homes

£118.4m investment in our existing
homes

£17m fire safety spend

£422.8m turnover

61,216 homes owned and managed

£13.7bn market value

Homes England Strategic Partner
Phase 1 and 2

G2 regrade but we are focused on
returning to **G1**



Quality services, more opportunity	£1.27m funding secured to deliver youth social action project 547 community organisations supported, offering training and development opportunities	41 Kickstarters recruited, with 39 progressing to contract extensions or work 2,800 empty homes refurbished for new customers 88% of customers satisfied with repairs service
More homes, better places	£290m investment in new homes £118.4m investment in existing homes 61,216 homes owned or managed £422.8m turnover – up by 1.3%	£16.2m in housing sales – doubled since 2021 £13.7bn open market value of properties 1,196 new homes delivered
Strong foundations, more choice	£501m cash and undrawn committed facilities available £86.6m surplus before tax A+ and A2 A+ Standard and Poor's A2 Moody's credit ratings	Living wage accredited employer Gold Investors in People 50/50 representation men and women on our Executive Board

Unaudited FY 2021/22 in Numbers

- Despite all the headwinds of Brexit and the Pandemic, Sovereign delivered a strong full year performance.
- We invested in our Communities last year and continue to do so and we believe this is more important than ever as we recover from the Pandemic
- Development of new homes was impacted by the Pandemic with continued headwinds due to shortage of labour and supplies impacting this financial year .
- Sovereign remain in a strong financial position with sufficient liquidity facilities available in place and top quartile Credit ratings.
- We will shortly publish our Annual report for 2021/22
- Our AGM will be held on the 28th July.



A new corporate plan

- A **manifesto** for the next five years – setting out what Sovereign will do between 2021-2026
- Following the same direction as the 2019 Plan, retaining the three pillars
 - Quality services, more opportunity
 - More homes, better places
 - Strong foundations, more choice



Our vision

We will be the leading landlord in the south of England, providing our customers good affordable homes in thriving and sustainable communities.

Three pillars

Quality services,
more
opportunity

More homes,
better places

Strong
foundations,
more choice

CUSTOMER

DEVELOPMENT

ENABLING
SERVICES

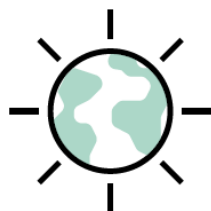
Transformation programme



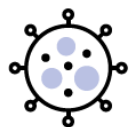
Our big plans

Today 2021

The world around us is changing...



Climate change



Covid-19 pandemic



Technology in a changing world


Housing market changes

Government policies

Customer expectations

First steps

We've taken some great first steps on our journey

	Strong finances helped us weather the pandemic
	Moving to a hybrid working model
	Customer satisfaction remained steady at 81%
	Well on our way to building 2,000 new homes a year
	Delivering on our land-led development approach
	Supporting individuals, families and communities

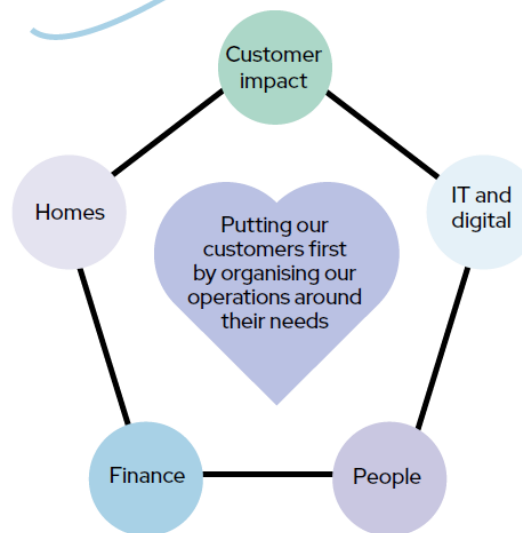
Our transformation

We'll transform the way we work in every corner of the business



The programme will accelerate the modernisation of our systems and services

It will revolutionise customers' experience of Sovereign



2026

Delivering our corporate plan



Customers

- "I live in a great home that will last for generations"
- "My place and community helps me to thrive"
- "I feel safer in my home and community – and I can contribute to my neighbourhood"
- "I trust Sovereign and they're easy to do business with"
- "Sovereign usually gets things right first time"



Colleagues

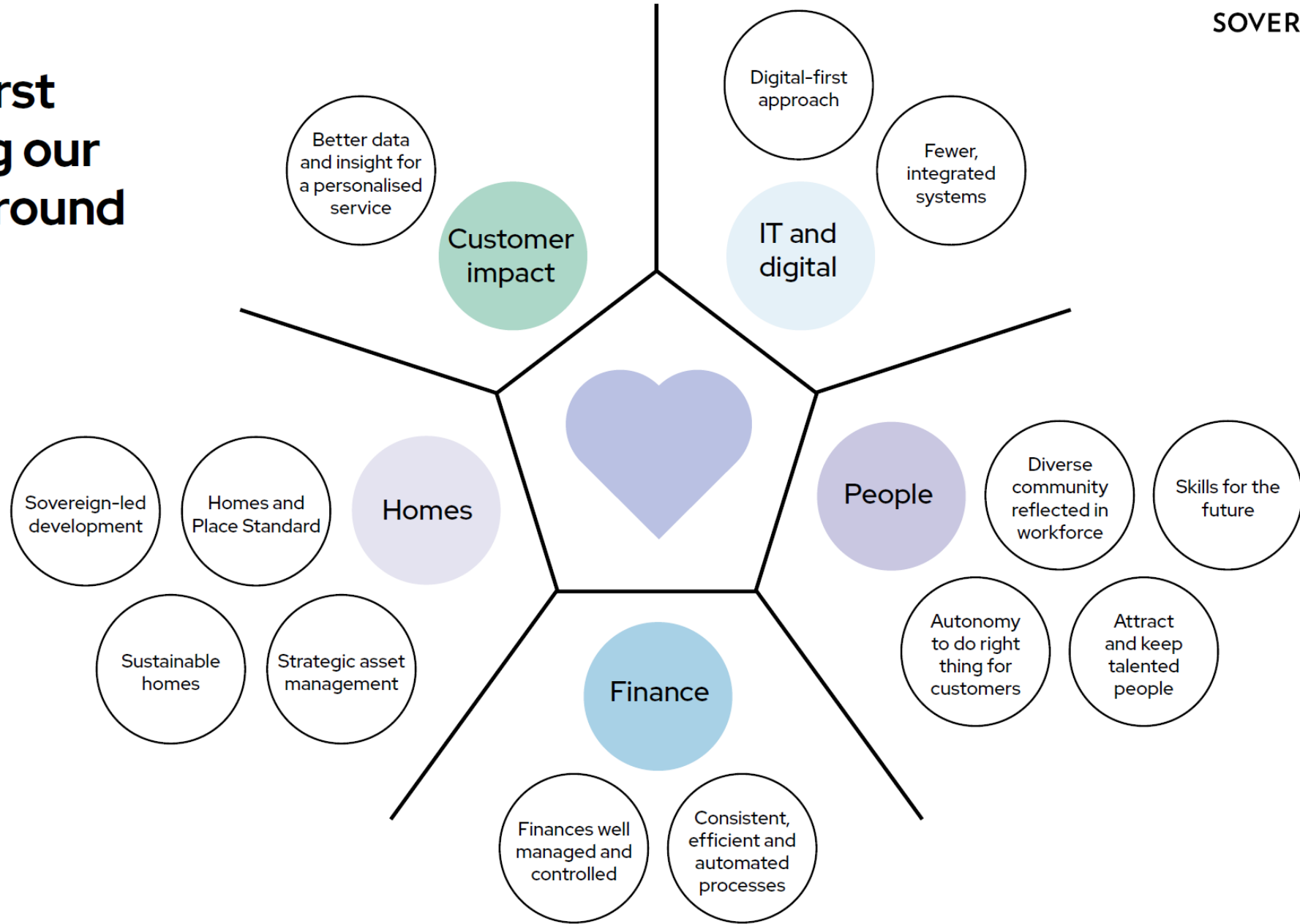
- "We can deliver our services right first time"
- "I have freedom and autonomy to do the right things for customers"
- "I feel safer at work"
- "I have the right career path at Sovereign"
- "I feel engaged working at Sovereign"



Sovereign

- We're building 2,400 new homes a year – all meeting the Homes and Place standard
- We're one of the most influential housing associations
- 80% of our customers make their first contact digitally
- 1/3 our homes meet H&P "good" standard and we're undertaking major regeneration
- We're carbon-neutral-ready on new developments and on track to be a carbon neutral business by 2050

Putting our customers first by organising our operations around their needs





Our priorities for our customers :

- **A customer driven organisation**
- **Personalising our services by better understanding our customers, localism**
- **Providing digital access our customers want to use**
- **Wider investment in communities**
- **Measuring customer impact, so we understand which interventions have the biggest social impact**



Our priorities for how we work:

- **Building a diverse workforce that reflects our communities**
- **Making Sovereign a great place to work**
- **Enabling our business to deliver our customer and development priorities**
- **Ensuring our business remains financially strong**
- **Influencing policy at the highest level**



**Our priorities for
development and assets:
'We are not waiting for
Government to tell us what
to do'**

- **Raising the standard of all our homes with the Homes and Place Standard**
- **Through Homes and Place we will decarbonise our homes**
- **Building more affordable homes to meet housing need**
- **Investing in high streets, creating great mixed developments**



Investment Strategy 2022-2027

*Integrated approach to investment in
new and existing homes*

*Current and emerging policy shifts,
volatile political, economic and social
environment, greater public awareness
of sustainability*

*Urban design, connectivity, tenure mix,
amenity, car use, green space,
biodiversity, and aesthetic as well as the
performance and design of an individual
property*

Means move to

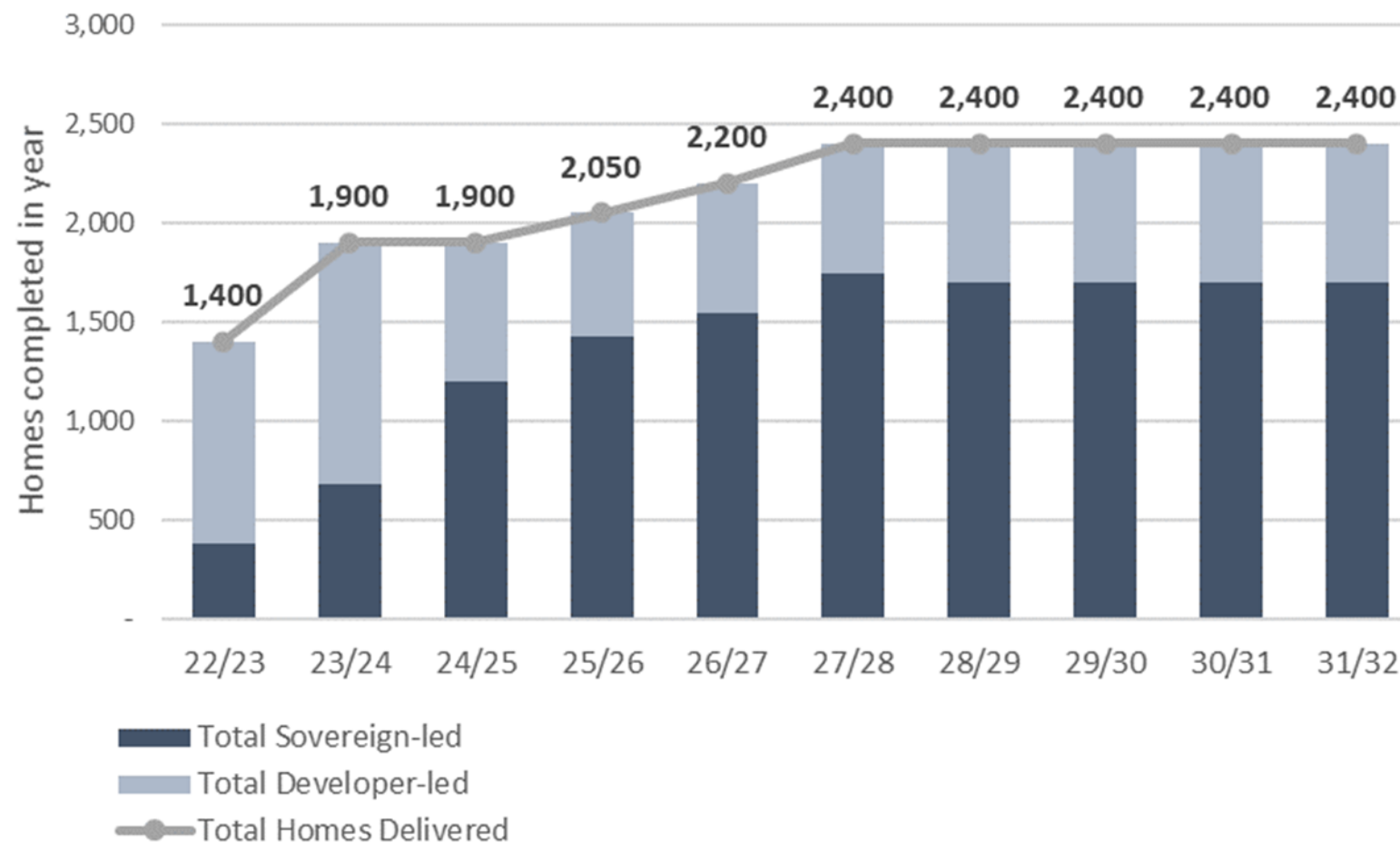
- *Land led*
- *Brown field, town Centre regen*
- *Estate Regeneration*
- *Large Scale partnership*
- *Homes and Place*
- *Retrofit*

2,400

homes pa from
27/28

>50%

Sovereign-led by
24/25



Customers

- Encourage long-term health and wellbeing
- Be safe, secure and inclusive
- Provide an excellent customer experience
- Foster pride in homes and communities

Homes

- Usable and adaptable
- Enjoyable to live in
- Cost effective
- Digitally connected

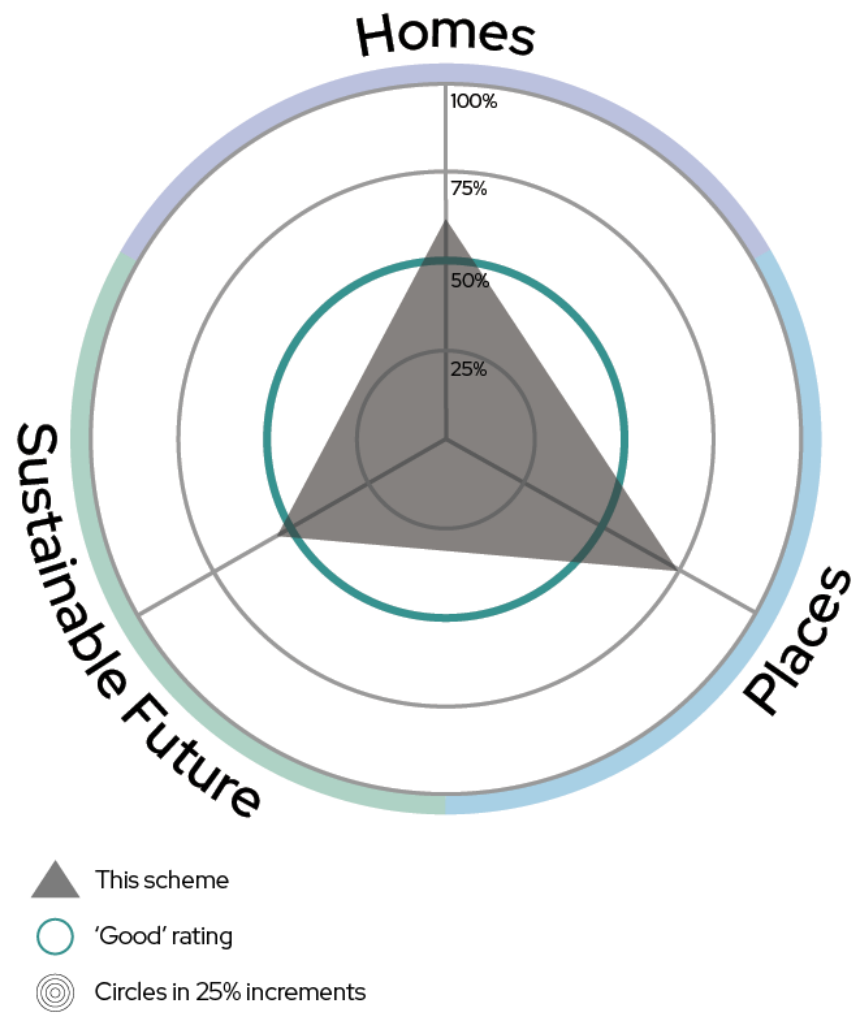
Places

- Have character and delight
- Be well-integrated
- Be inclusive
- Be safe

Sustainable future

- Be comfortable for the future
- Have a simple approach to moving towards zero carbon
- Promote a healthy environment
- Empower customers through technology

Homes and Place Standard scorecard



The outcome of the assessment produces a scorecard. This shows at a high level the performance of the scheme against the three overarching areas. It can clearly be seen which areas perform well and which less so against the Standard.

	% achieved	% below or above 'Good' rating
Homes	62 %	+12 %
Homes will be cost effective	67 %	+17 %
Homes will be useable and adaptable	60 %	+10 %
Homes will be enjoyable to live in	60 %	+10 %
Homes will be digitally connected	60 %	+10 %
Places	74 %	+24 %
Places will have character and delight	84 %	+34 %
Places will be strong and well integrated	73 %	+23 %
Places will be inclusive	67 %	+17 %
Places will be safe	67 %	+17 %
Sustainable future	52 %	+2 %
Be comfortable for the Future	60 %	+10 %
Simple approach to moving towards zero carbon	46 %	-4 %
Promote a healthy environment	60 %	+10 %
Empower customers through technology	60 %	+10 %
Overall score	63 %	+13 %
Overall rating	'Good'	

Homes and Place, Zero Carbon and Carbon reduction

New homes

- All homes can move to zero carbon
- Excellent - Zero ready

Existing homes

- Building passport
- Layered investment
- Carbon reduced, zero ready 2050 or before

Understand property

- Holistic view
- Clear choices
- £7.5 m -next year
- £15 m – year 2

9,000

homes that meet Homes
and Place Standard

17,000

homes requiring
investment and partially
meets Homes and Place
Standard

6,000

homes that do not meet
Homes and Place Standard

3,000

homes to be regenerated

11,000

homes to be replaced

Our 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?

🏠 Approximately 1000 homes

- 🏠 Homes and Place Standard met
- 🏠 Homes and Place Standard partially met
- 🏠 Homes and Place Standard not met
- 🏠 Divested assets
- 🏠 Retained and improved assets
- 🏠 Regeneration assets

Core
Homes let at sub-market rents

Non core
Other tenures
e.g. shared ownership,
market rent etc.

2021



2050



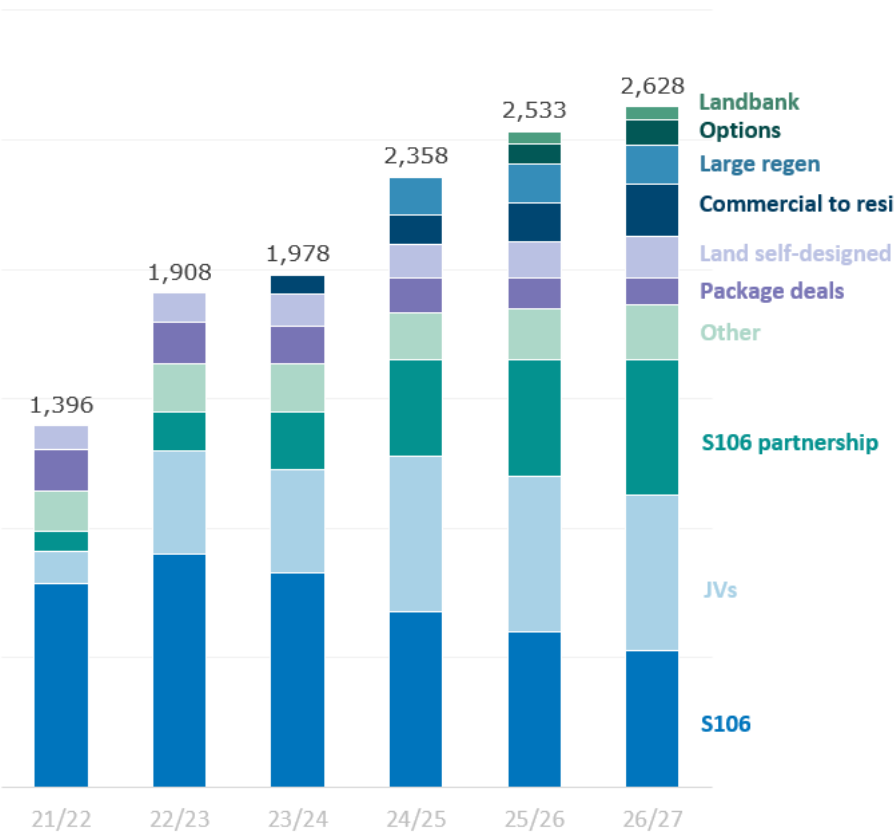
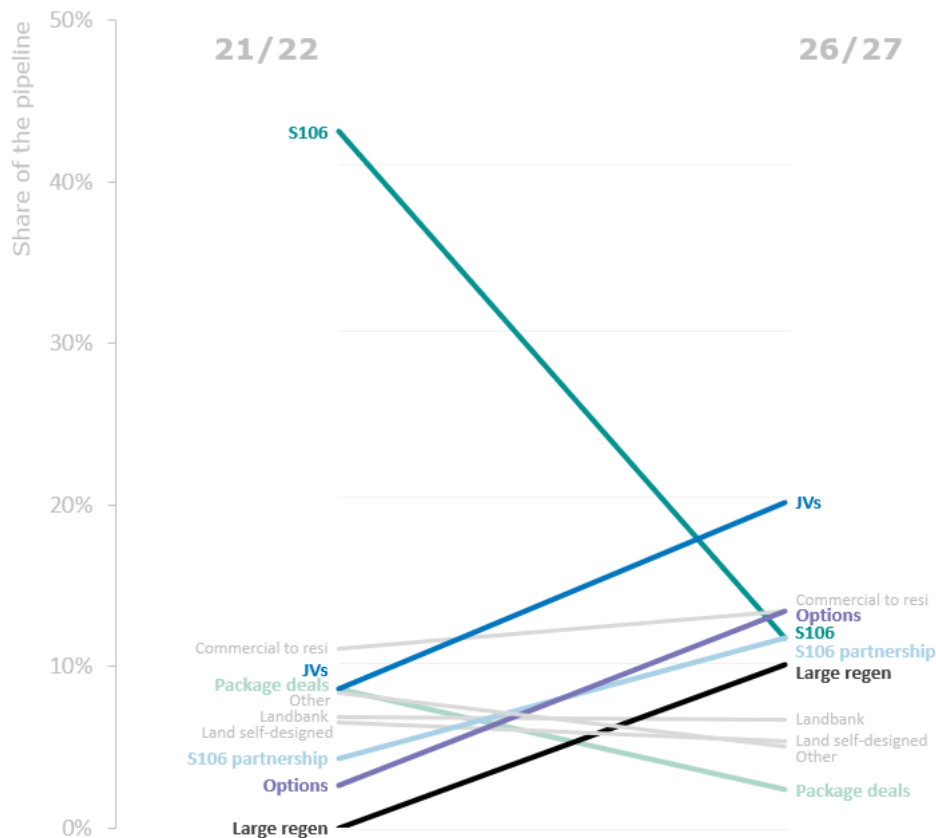
How the mix of pipeline and delivery changes over time

Our pipeline will target partnerships

In five years' time our pipeline will be weighted towards JVs, option, regeneration and strategic S106 partnerships. Small S106 deals will still make up around 12% of the programme, much reduced from over 40% today

Delivery mix will change gradually

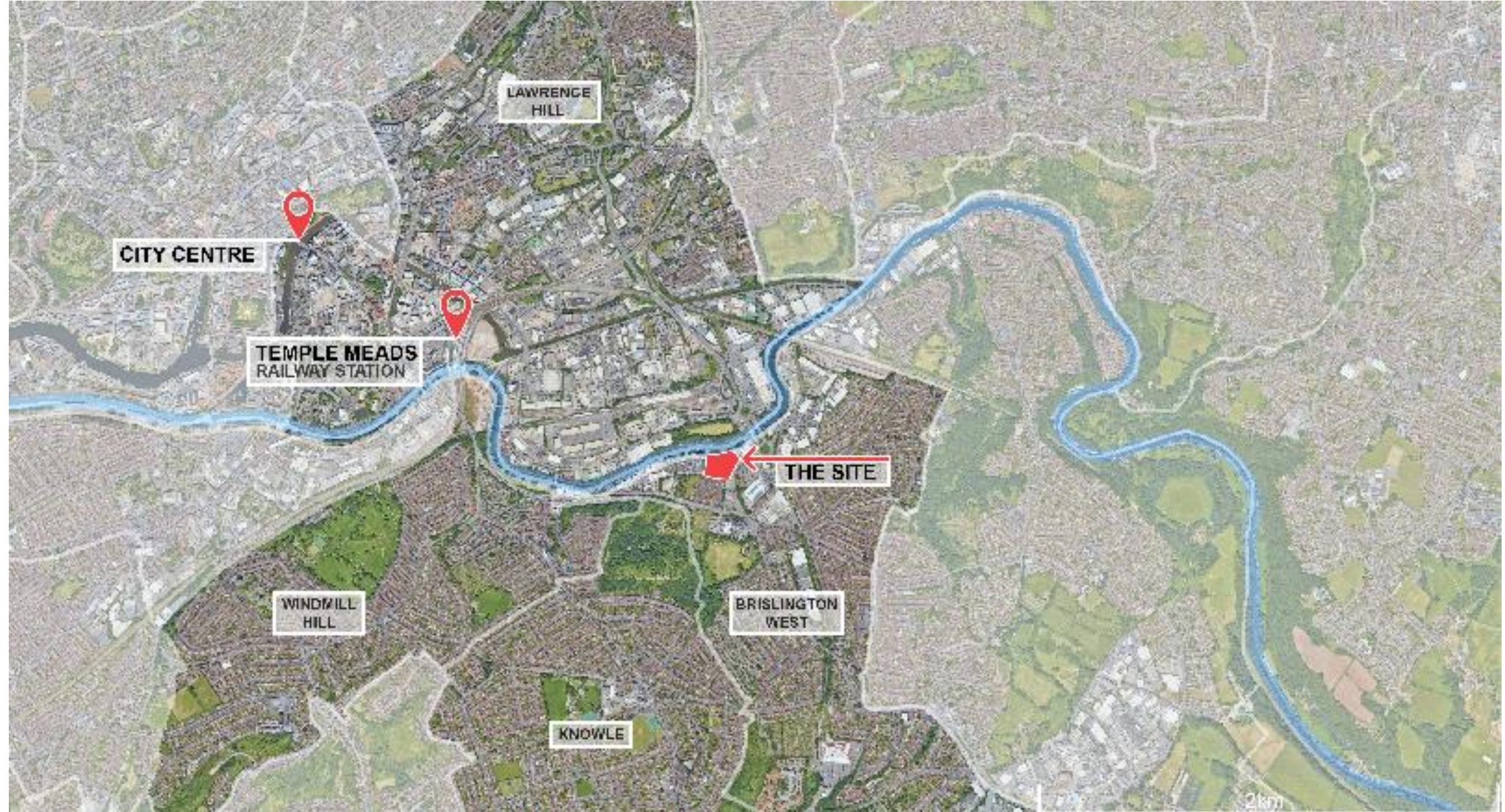
By 26/27 we should see units delivered from JVs and S106 partnerships rivalling output from smaller S106 deals. It will take longer (5-10 years) for options and large regeneration schemes to contribute meaningfully to output.





Where are We now?

- *Pipeline mix 60:40 land-led*
- *Move from 95% S106 to land-led*
- *Homes England partner*
- *Large-scale joint ventures*
- *Repurposing retail and commercial to mixed use*
- *Regeneration Plans for 4000 homes*
- *Retrofit Pilots – 300 homes*
- *SHDF wave 2*



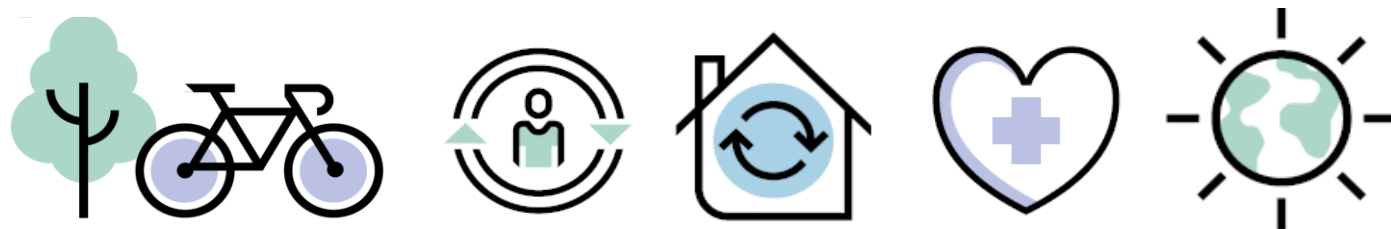




CONCLUSIONS

The panel really enjoyed this review because of the holistic collaboration between the team members and their approach to the sequence of design which started with integrating sufficient space for new habitat. The team's non-linear design approach has also produced the bones of some convincing placemaking and indicates a strong aspiration towards quality and character that the panel is delighted to witness. It is also to be applauded that the scheme development is genuinely backed by the client with an aspiration to achieve a development with a strong sense of place that will provide the new community with a great place to live. The panel would be delighted to review the scheme again once the team has had more time to progress the ideas and suggestions that have been put forward in this review.

Yours sincerely





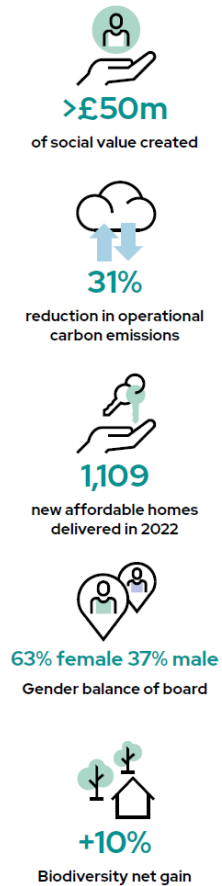
External pressures

- Handovers lower than expected
- Driven by materials and delivery shortages
- Developers prioritising completion of open markets homes
- Housing market *perhaps* cooling post Stamp Duty holiday
- Building safety issues impacting developers and housing associations

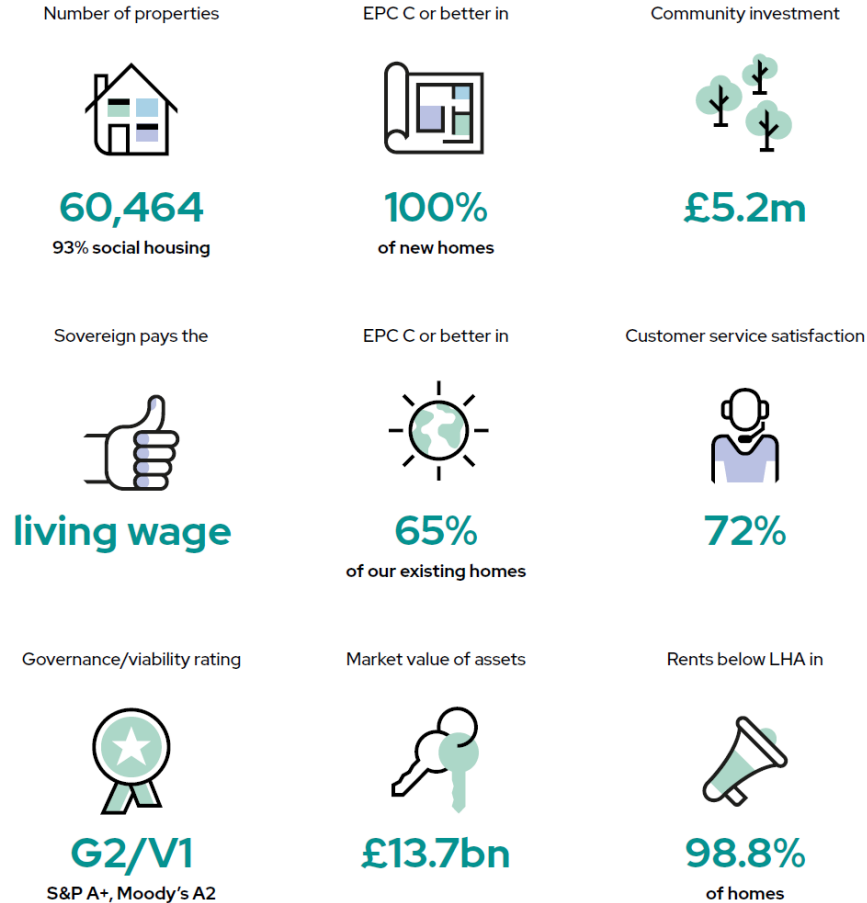
ESG report 2021/22

Sovereign's ESG in numbers

Our top 5 ESG KPIs



Our ESG snapshot



Our ESG objectives



- We are finalising our ESG report and will publish this on our Investors webpage in due course.
- This is only the start of the journey, as we look to embed Sustainability within the business.
- We are ensuring our spending is balanced across investment in existing stock, new supply and customer service and communities.

Use of Proceeds Category	Eligibility Criteria / Projects (Financing or Refinancing of)	SDG
Green Buildings	<ul style="list-style-type: none"> Construction or acquisition of buildings which achieve a minimum rating of EPC 'B', or BREEAM 'Excellent' 	9 - Industry, innovation and infrastructure
Energy Efficiency	<ul style="list-style-type: none"> Retrofit of existing homes (incl. pilot projects) resulting in a two notch increase to achieve minimum EPC 'C', or one notch increase to achieve EPC 'A' or 'B' Costs relating to the purchase and installation of technologies aiming to reduce energy consumption of properties (incl. retrofit pilots exploring heat, energy generation, power storage and digital controls) 	7 - Affordable and clean energy
Renewable Energy	<ul style="list-style-type: none"> Investments in on site solar PV or hot water panels and wind operating systems (lifecycle emissions <100gCO2/kWh) where separable from whole house Energy Efficiency spend 	7 - Affordable and clean energy
Clean Transportation	<ul style="list-style-type: none"> Installations supporting the transition towards low / zero emission or public transportation e.g. EV charge points, vehicle fleet and cycling infrastructure 	11 - Sustainable cities and communities
Terrestrial & Aquatic Biodiversity	<ul style="list-style-type: none"> Expenditures improving the biodiversity of land including the development of brownfield sites (on a best efforts basis, targeting at least 15% Biodiversity Net Gain) 	15 - Life on land
Affordable Housing	<ul style="list-style-type: none"> Development, construction, acquisition and retrofit of social and affordable housing projects focused on populations living below the poverty line or underserved 	11 - Sustainable cities and communities
Access to Essential Services	<ul style="list-style-type: none"> Provision of customer support schemes and services to facilitate health, wellbeing and community engagement e.g. commercial, entrepreneurial and work skills, digital inclusion training and equipment, mental and physical health support 	10 - Reduced inequalities
		8 - Decent work and economic growth

Sustainable Finance Framework

- We have finalised our Sustainable Finance Framework, working with Barclays
- Second Party Opinion (SPO) provided by Sustainalytics. Framework perceived as “credible and impactful”
- The Framework and SPO are available on Sovereign’s Investors page
- Categories represent tangible and impactful investment areas which are core to Sovereign's sustainability strategy and are the focus of our service delivery - with c-suite and board-level support
- Gross Proceeds ESG UoP issuances will be allocated to Eligible Projects in accordance with our business plan - driving Homes & Place and Strategic Asset Management in particular

Sustainable Finance Instruments

- Covers our debt capital structure:
 - Public bonds and private placements
 - Loans and revolving credit facilities

Key Standards

- Framework aligned to key ICMA and LMA Principles, focus aspects of our corporate plans and where feasible, market practice or international taxonomies






Oversight & Implementation

- Framework established to support key projects approved by our Investment Committee and Major Projects Committee
- Key development plans scrutinised by these Committees, with delegated authority from the Sovereign Board
- Established ESG Team (CFO, Treasury and Construction and Technical Director) responsible for framework oversight and operation
- Asset register to be maintained ensuring continued impact

Sustainable Finance Framework

- Future funding would be issued under our Framework:
 - Gross proceeds equivalent invested
 - A near term investment window (24 months lookback and aim to invest within 24 months following issuance) but capable of supporting legacy refinancing if needed
 - Commitment to maintain allocations over time
 - Unallocated proceeds managed to avoid supporting traditional exclusion sectors
 - Annual reporting on allocations until full allocation
 - Engaging with consultants on impact assessment

Golden Rule metrics as at 31st May 2022

Protection Principle	Actual	Trend	Threshold	Headroom	Definition
 Liquidity	25	-	>18 months	7 Months	18 months as a minimum, where available cash plus committed and ready-to-draw borrowing facilities (excluding retained bonds) must exceed forecast cash flows excluding all uncommitted development spend and all income from development sales and asset sales.
 Market Risk	15.6%	▲	<40%	24.4% £104.2m	Sales / turnover
 Performance	30.3%	▼	>30%	0.3% £1.0m	Rolling 3 year Average Operating Surplus (Exc. all development and asset sales) / turnover - current year forecast, plus prior 2 FY outturn.
 Sustainability: Interest Cover	290.1% £174m	▲	>121%	169% £88m	10% Minimum level of headroom against all lender's interest cover covenants.
			>110%	180% £95m	Tightest Covenant
 Sustainability: Gearing	48.3% £2227m	▼	<76%	28% £1165m	5% Minimum headroom against all lenders' gearing covenants.
			<80%	32% £1339m	Tightest Covenant

Treasury update

- £460m liquidity available (All facilities are fully secured and immediately available for drawing).
- Future funding, we have over £400m of security in charge (unallocated) with our Trustee, Prudential, to provide ease of access for future funding opportunities, and put in place a strategy of rolling charging with a regular flow of uncharged assets (current value c£1.5bn) to be added to this pot to meet future facilities or new debt issuances over time.
- Next targeted funding likely later in 2022/23
- Operating margin is the tightest of our self-imposed Golden rules due to increased inflationary cost pressures. We see continued pressure on this measure and expect this measure to be impacted as we increase spend on Transformation which will support the business in the long term.



**Thank you and
Questions**



Disclaimer

For more information, please contact:

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