

Sovereign Network Group

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Introduction

In 2024, Sovereign Network Group (“Sovereign” or “SNG” or “the Issuer”) issued a Sustainability Bond (the “2024 Sustainability Bond”) and raised a total of GBP 400 million to finance and refinance affordable or social housing projects. In February 2025, SNG engaged Sustainalytics to review the projects financed with proceeds from the 2024 Sustainability Bond (the “Nominated Expenditures”) and provide an assessment as to whether they meet the use of proceeds criteria and whether SNG complied with the reporting commitments in the Sovereign Sustainable Finance Framework (the “Framework”).¹ Sustainalytics provided a Second-Party Opinion on the Framework in November 2023.²

Evaluation Criteria

Sustainalytics evaluated the Nominated Expenditures and SNG’s reporting based on whether they:

1. Meet the use of proceeds and eligibility criteria defined in the Framework; and
2. Reported on at least one key performance indicator (KPI) for each use of proceeds category defined in the Framework.

Table 1: Use of Proceeds Categories, Eligibility Criteria and Associated KPIs

Use of Proceeds Category	Eligibility Criteria	Key Performance Indicators
Affordable Housing	<p>Development, acquisition, construction modernization and ownership of social or affordable housing, which may include:</p> <ul style="list-style-type: none"> • Units to comply with the government definition of social or affordable housing, including shared ownership;³ • Other forms of supported or sheltered housing. <p>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 Sovereign); underserved (in terms of access to quality local affordable housing and financing); people with disabilities; and ageing populations.</p>	<p>Number of new and existing properties constructed or refinanced by tenure.</p> <p>Number of development pipeline properties.</p> <p>Actual average rent charged versus private local market rent.</p>

¹ SNG “Sovereign Sustainable Finance Framework”, (2023), at: https://assets-eu-01.kc-usercontent.com/d94abdb8-5d4a-0174-c20e-c76c674a6c3d/f14e5290-3380-453b-a1b3-edd9505348a0/SNG_Sustainable%20Finance%20Framework.pdf

² Sustainalytics, “Sovereign Sustainable Finance Framework SPO”, (2023), at: <https://mstar-sustops-cdn-mainwebsite-s3.s3.amazonaws.com/docs/default-source/spos/sovereign-sustainable-finance-framework-second-party-opinion.pdf>

³ For the purpose of financing newly developed shared ownership properties under this Framework, a gross household income threshold of GBP 65,000 or less will initially be applied. This threshold may be refreshed by Sovereign when allocating Proceeds, reflecting changes in the level of the Consumer Price 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 the timing of the receipt of Proceeds) or one that has already been financed by a Sustainable Finance Instrument.

Issuer’s Responsibility

SNG is responsible for providing accurate information and documentation relating to the details of the projects, including descriptions, amounts allocated and impact.

Independence and Quality Control

Sustainalytics, a leading provider of ESG research and ratings, conducted the verification of the use of proceeds from SNG’s 2024 Sustainability Bond. The work undertaken as part of this engagement included the collection of documentation from SNG and review of said documentation to assess conformance to the Framework.

Sustainalytics relied on the information and the facts presented by SNG. Sustainalytics is not responsible, nor shall it be held liable for any inaccuracies in the opinions, findings or conclusions herein due to incorrect or incomplete data provided by SNG.

Sustainalytics made all efforts to ensure the highest quality and rigour during our assessment process and enlisted our Sustainability Bonds Review Committee to provide oversight of the review.

Conclusion

Based on the limited assurance procedures conducted,⁴ nothing has come to Sustainalytics’ attention that causes us to believe that, in all material respects, the Nominated Expenditures do not conform with the use of proceeds criteria and reporting commitments in the Framework. SNG has disclosed to Sustainalytics that the proceeds from the 2024 Sustainability Bond were fully allocated as of September 2024.

Detailed Findings

Table 2: Detailed Findings

Framework Requirements	Procedure Performed	Factual Findings	Error or Exceptions Identified
Use of Proceeds Criteria	Verification of projects to determine alignment with the use of proceeds criteria outlined in the Framework.	The Nominated Expenditures comply with the use of proceeds criteria.	None
Reporting Criteria	Verification of projects or assets to determine if impact was reported in line with the KPIs outlined in the Framework.	SNG reported on at least one KPI per use of proceeds category.	None

⁴ Sustainalytics’ limited assurance process includes reviewing documentation relating to details of projects, as provided by the issuing entity, which is responsible for providing accurate information. These may include descriptions of projects, estimated and realized costs, and reported impact. Sustainalytics has not conducted on-site visits to projects.

Appendices

Appendix 1: Allocation of Proceeds

Table 3: Allocation of proceeds from the 2024 Sustainability Bond

Use of Proceeds Category	Projects Description	Location	Amount Allocated (GBP million)
Affordable Housing	Newly constructed affordable homes within the 96 eligible projects.	England, United Kingdom	400
Total Amount Allocated			400
Total Unallocated Amount			0
Total Net Proceeds Raised			400

Appendix 2: Reported Impact

Table 4: Reported impact from the 2024 Sustainability Bond

Use of Proceeds Category	Sub-Category	Number of affordable homes provided
Affordable Housing	Affordable rent	1,146
	General needs affordable rent	65
	London affordable rent	84
	London living rent	24
	Shared ownership	1,299
	Social rent	710
Total number of affordable homes provided		3,328

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