



Sustainable Securitised Bond Framework overview

February 2026

Sage AR Funding 2026 No.1 PLC



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1. Use of proceeds

Sage Rented Limited (“Sage”) is planning to issue a Sustainable Securitised Bond (as outlined in the Sustainability Bond Guidelines) (“Sage AR Funding 2026 No.1 PLC”). The sole aim of the Sage AR Funding 2026 No.1 PLC is to partially paydown the Revolving Credit Facility provided by a consortium of banks alongside a partial paydown of a bilateral loan with Morgan Stanley Bank, N.A.. The transaction will be secured by 3,885 newly built and energy efficient affordable housing units located across England (together the “portfolio”). Sage targets EPC rating A for all of their units and has a minimum threshold of EPC B rating. Where properties do not meet such criteria - for example, have an EPC rating below B - proceeds will be used in accordance with the current social bond eligibility criteria. This is aligned with the Sustainability Bond Guidelines 2021 (“SBG”), Green Bond Principles 2021 (“GBP”), and Social Bond Principles 2023 (“SBP”), as administered by ICMA.

Sage will use proceeds to refinance the provision of affordable housing in England for low-income individuals and families. Target populations and housing requirements are established by local planning authorities under the guidance of the National Planning Policy Framework¹, which directs the local authorities to identify the needs of housing markets and determine where and

what quantity of affordable housing should be provided. Sage Rented Limited provides homes exclusively to individuals who have been identified as being in housing need.

Local authorities oversee the application process for affordable and social rental housing. Eligibility is determined by assessing factors such as household income, local property prices, welfare needs, and health considerations. Local authorities employ a bidding system, allowing individuals to express interest in available properties. Priority is typically given to those with the most urgent need. Alternatively, some authorities use nomination rights, meaning they select tenants directly for properties managed by Registered Providers (“RPs”). Criteria may vary from local authority to local authority, but they primarily aim to reduce homelessness, prevent overcrowding, or mitigate medical conditions made worse by housing arrangements. These homes are aimed at individuals or families who meet specific income thresholds and can afford the rent without exceeding a designated percentage of their earnings.

Sage AR Funding 2026 No.1 PLC will be a standalone Commercial Mortgage-Backed Securities (“CMBS”) issuance secured solely on the aforementioned portfolio. The CMBS will have an initial maturity in February 2038.

Social impact of use of proceeds

For the 3,828 units (98.5%) in the subject portfolio that boast an Energy Performance Certificate (“EPC”) rating of A or B, proceeds will be used in line with the Green Bond Principles. For the remaining 58 units (1.5% of the subject portfolio) rated as EPC C or lower, proceeds will be used in accordance with the Social Bond Principles positively contributing to social impact.

Residents of the United Kingdom have for years faced a chronic shortage of affordable homes. According to a recent government report, one in 10 people in need of affordable housing are stuck on council waiting lists for over five years^[1] as a result of the shortage. As the fastest growing provider of affordable housing in England, Sage Rented Limited is contributing to a much-needed supply.



Despite the UK population projected to increase by 150,000 households per year (+3.6 million) up to 2048, annual housing completions in 2021/22 were just 243,000. This falls short of estimated need of 300,000 to 340,000 per annum^[2]. In the social housing sector, in particular, 1.3 million households are currently on housing waiting lists in the United Kingdom, which is the highest level since 2014^[3]. However, only circa 50,000 units are delivered per annum, resulting in low sector vacancy rates and high average lengths of stay. Not only is this a problem for those in need of housing, but it limits the freedom of those already in social housing to move according to employment opportunities as they arise, in turn impacting their opportunity to further their financial stability. The average length of stay in social housing is 11.7 years^[4].

Driven by supply shortages, UK house prices have grown at a 5.9% CAGR since 1980. This is becoming an increasingly prominent issue, evidenced by the fact that UK house prices grew at a 3.45% CAGR from 2006 to 2023, while from 2015 to 2021, prices grew at 10.08% CAGR^[5]. Sage’s portfolio is predominantly located in London and the South East, accounting for 45% of the total by value. These areas have seen outsized house price growth since 1980 at 6.7% and 6.1% respectively. Rising house prices have impacted affordability driving greater demand for Sage’s affordable stock. Affordability is particularly constrained in Sage’s key geographies in London and the South East at house price / earnings multiples of 8.5x and 5.9x respectively. Significant barriers of entry exist due to strict governance and financial viability requirements to become a Registered Provider. Affordable housing supply is therefore heavily constrained. Sage is uniquely positioned to provide much needed capital to a structurally undersupplied housing market.

Furthermore, the development of high volumes of new homes means that Sage enables the creation of employment for thousands of people who work in their supply chain, constructing and managing thousands of new properties across England. The UK’s housing supply chain is estimated to be worth nearly £12bn per year. According to Ministry of Housing Communities and Local Government, every £1m of housing output supports 19.9 direct jobs and 15.6 indirect jobs. By this measure Sage’s portfolio commitment increase in 2020 alone supported 11,900 direct and 9,400 indirect jobs.

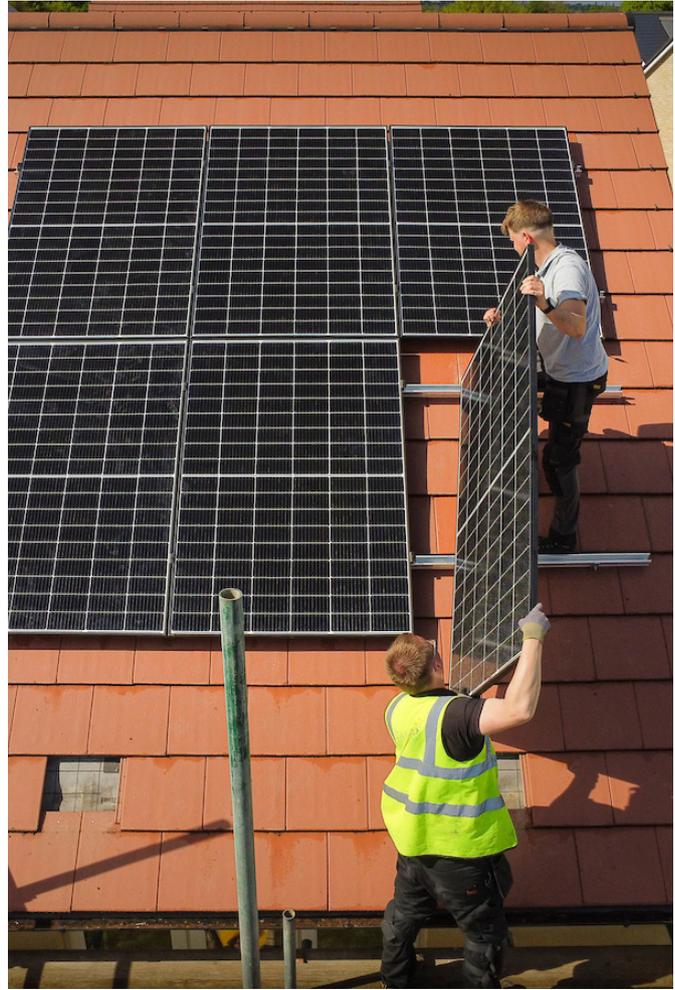
^[1] UK Government, “National Planning Policy Framework”, (2025), at: <https://www.gov.uk/government/publications/national-planning-policy-framework-2>

^[2] ONS, Household Projections for England

^[3] GOV.UK, Social Housing Lettings in England

^[4] English Housing Survey Report, 2023

^[5] ONS, House Price Index



Environmental impact of use of proceeds

The portfolio's weighted average asset age as of December 2024 was 4.7 years with 46% of the units delivered from 2020 onwards. For comparison, 68% of Housing Association and 95% of Local Authority dwellings were built before 1991^[10]. 3,828 units (98.5%) within the subject portfolio boast EPC rating of A or B placing. Proceeds corresponding to these properties will be used in line with the Green Bond Principles. The residential sector accounted for 13.5% of total CO₂ emissions in the UK in 2023^[6]. The government has set a legally binding target to reduce the UK's net emissions by 100% by 2050 compared with 1990 levels^[7]. The Climate Change Committee, the government's advisory body, has said that near complete decarbonization of the housing stock is necessary to meet this^[8]. Therefore, the social housing sector, which accounts for approximately 17% of all homes in the UK^[9], presents a significant opportunity for reducing CO₂ emissions. Recognising these opportunities, Sage Rented Limited's activities help to improve the energy performance of housing associations' building stock while ensuring affordability.

^[1] UK Government, "Social housing lettings in England", (2024), at: <https://www.gov.uk/government/statistics/social-housing-lettings-in-england-april-2022-to-march-2023/social-housing-lettings-in-england-tenants-april-2022-to-march-2023>

^[6] UK Government, "2023 UK Greenhouse gas emissions, provisional figures", (2024), at: <https://assets.publishing.service.gov.uk/media/6604460f91a320001a82b0fd/uk-greenhouse-gas-emissions-provisional-figures-statistical-release-2023.pdf>

^[7] House of Commons Library, "Housing and net zero", (2024), at: <https://commonslibrary.parliament.uk/research-briefings/cbp-8830/>

^[8] House of Commons Library, "Housing and net zero", (2024), at: <https://commonslibrary.parliament.uk/research-briefings/cbp-8830/>

^[9] UK Government, "Social housing lettings in England, tenants", (2024), at: <https://www.gov.uk/government/statistics/social-housing-lettings-in-england-april-2021-to-march-2022/social-housing-lettings-in-england-tenants-april-2021-to-march-2022#fn:1>

^[10] GOV.UK, English Housing Survey 2021 to 2022 Social Rented Sector



2. Owner/Operator overview

Sage Homes Group is England's largest for-profit Registered Provider and the largest provider of new affordable homes in the last four years. SRL is a part of a wider Sage Homes Group business, a regulated English affordable housing platform majority-owned by Blackstone Europe. Established in December 2017 through a partnership between Blackstone and Regis, Sage Homes Group delivered 19,000 units (as of December 2024) with a further 3,500 units under construction. Sage's portfolio comprises newly built affordable homes developed by the UK's major publicly listed homebuilders and is now a scaled and high-quality affordable housing platform with strong environmental, social and governance (ESG) credentials. Working with over 140 local authorities, Sage Homes Group has become a strategic investment partner of Homes England and has forged strong links with other social landlords. These relationships have helped the wider Sage Housing Group platform become, and continue to be, the largest provider of newly built affordable homes in England.

Sage recognises the importance of social and sustainable business practices and aims to reduce the impact of their operations on the environment and local communities through a three-year rolling roadmap that aligns to the core components of the Sustainable Bond Principles 2023 and Sustainable Bond Guidelines 2021. Sage is led by a highly experienced and competent management team with a track record of growing and managing large-scale operational real estate companies. The management team work alongside the Regulatory Board, which has over 180 years of combined experience, to drive a high standard of governance and provide strategic direction.

By providing affordable rent (and shared ownership housing in the wider Sage Homes Group), Sage creates stability for their customers, forming the Group's core motivations of providing homes, inspiring change, and improving lives. Strong links between secure housing and health and employment outcomes are well documented. According to the UK charity Shelter, experience of multiple housing problems increases the risk of child ill-health and disability by up to 25% during childhood and early adulthood. Poor quality housing also increases a child's risk of poor educational attainment and can limit their opportunities in later life.



Governance

The business model of Sage - the provision of affordable housing - has social sustainability at its core. Sage is regulated by the Regulator of Social Housing, while Sage's Board and supporting committees provide robust oversight of all their Registered Providers' activities to aim to meet the highest standards attainable. These include a Customer Scrutiny Panel, which monitors and evaluates the Group's customer service. All this resulted in a G1* rating for Governance to sit alongside the V2* rating for Viability in their first In-Depth Assessment from the Regulator of Social Housing. Some governance initiatives which the Board and supporting committees seek to implement over the next five years include improving reporting and analytics. They also look to further their work to get transparent disclosure from the housebuilders they work with, their supply chain, and on their social and environmental impact.

Energy efficiency

Energy efficiency is also a key focus for Sage in the homes that they deliver, ensuring they use less energy and produce reduced carbon emissions. This has a positive effect for their customers through lower utility bills, with such bills being a major consideration in the residents' budgets. From April 2025, customers in EPC rated A or B homes save around £430 a year² compared to the national average EPC D property. Over 98% of all homes in the Sage Homes Group are rated A or B for Energy Performance.

Sage is focused on long-term decarbonisation and has undertaken low carbon technology and solar retrofit trials. Utilising a range of solar panels, battery storage, wastewater heat recovery, air source heat pumps and smart water tanks, the properties have energy monitoring to help inform how best to decarbonise homes for both Sage and their customers. Sage is also exploring how smart technology can be used to maintain indoor air quality using devices which collect data on environmental factors such as temperature and humidity to identify early signs of damp and mould and possible fuel poverty in homes.

² This is based on Ofgem average energy prices for Apr-Jun 2025 and annual average energy consumption figures from National Energy Efficiency Data-Framework (NEED)

Customer support

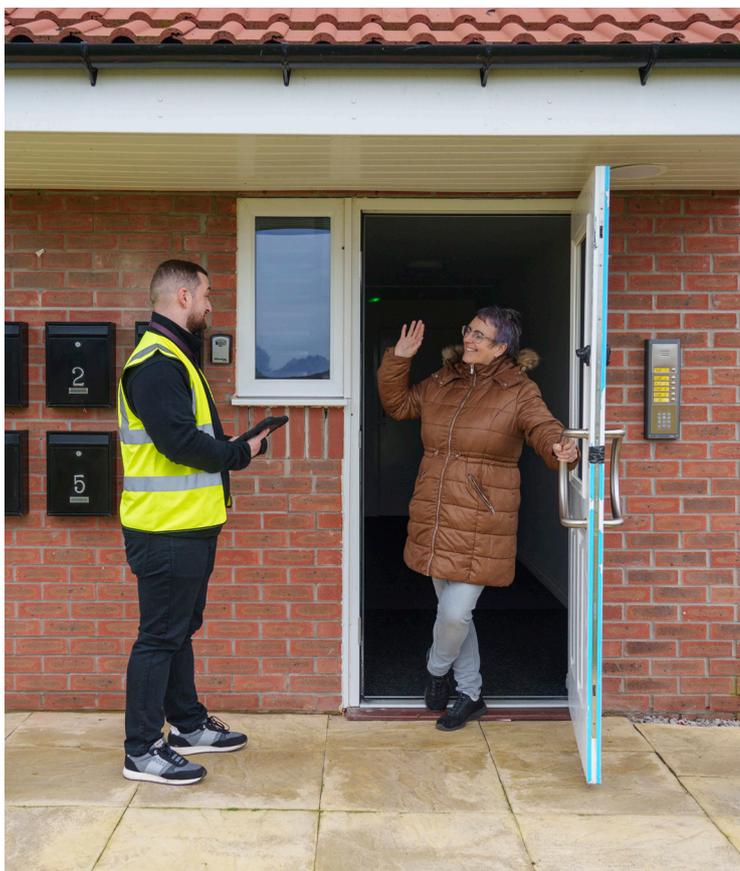
Sage's customers are served by Sage Homes Group's Customer Centre in Northampton, housing a dedicated Customer Care team and other customer-focused teams, as well as further field-based teams to directly manage customers' homes and services. Sage focuses on customer-centered technology and has developed My Sage Home, a bespoke digital portal, allowing customers to contact Sage, raise issues or repairs, change their payment options, and access a wealth of information to help manage their home and tenancy successfully. Sage has enhanced their customer relationship management ("CRM") system with the launch of Omnichannel, allowing customers to speak directly via LiveChat and then if needed, easily switch to the telephone.

Sage provides financial guidance and has built partnerships to help customers develop their life skills.

Customers can also access bespoke online budgeting and benefits calculators. Sage Homes Group has a well-established Financial Wellbeing team to support customers in hardship and provide advice on managing their money. The team has supported customers in accessing over £2m of grants and unclaimed benefits. This team also sources white goods for customers and provides food and fuel vouchers where needed, helping customers avoid homelessness by increasing access to the right benefits and funding. The Financial Wellbeing team has helped over 1,600 customers with either food bills, energy bills, the provision of school uniforms or white goods.

Sage has worked with several partners to deliver online customer sessions on mental health around finances. Working with Barclays Digital Wings, Sage customers also have access to online courses to build excellent CVs, learn interview techniques, develop digital skills, understand how to budget, and protect loved ones from fraud. Vital to the performance of the Sage Homes Group is a focus on the diversity of their staff to ensure varied perspectives, to foster innovation, and better serve Sage's communities. To achieve this, Sage Homes Group has implemented an employee experience strategy which will evolve their approach to wellbeing and diversity, equality and inclusion through collaboration with their internal employee panels, delivering events through their workforce panel, and advancing a Strategic Employee Value Proposition.

In 2024, Sage Homes Group commissioned social impact consultancy, State of Life, to measure and report on the social value of Sage Homes, using a government-endorsed wellbeing approach. The wellbeing outcomes of surveyed customers were compared to a national data sample using regression analysis to value the benefits of living in a Sage Home Group home measured by a wellbeing-adjusted life year (WELLBY) measure. Compared to a national sample, Sage Homes customers report 22% higher life satisfaction, 27% higher satisfaction with their housing and are 14% more optimistic about their future finances. Assuming that the improved life satisfaction experienced by customers lasts for one year, this amounts to approximately 1.3 WELLBYs, valued at £20,100 per person per year (using Treasury methods)³.



³ See further detail [Wellbeing_guidance_for_appraisal_-_supplementary_Green_Book_guidance.pdf](#)

Supporting communities

Heart of Sage is Sage's charitable Community Benefit Society which supports causes that affect their customers' and employees' lives in addition to offering opportunities to develop their skills and experiences. Distributed by an independent committee, Heart of Sage's funding is split between hardship support, charity match-funding, community sponsorship and community grant-giving. Since June 2022 they have provided over £182,000 to Sage communities and a diverse range of organisations such as Friends of SADA (Survivors Against Domestic Abuse), LandAid, and the Eve Appeal.



Sage Homes Group's sponsorship and grant scheme has grown in operations, with over 1,000 households taking part in community events. This is via vouchers being issued to customers who applied for local funding for their community celebrations, such as the King's Coronation and the 2024 Olympics/ Paralympics. Sage continues to work with customers to fund community-enhancing projects that they are passionate about and provide grants to local organisations.



3. Process for project evaluation and selection

Sage AR Funding 2026 No.1 PLC will refinance 975 assets secured under Sage AR Funding No.2 PLC (“AR5 and AR6”, RCF) alongside refinancing of 2,910 additional similarly built units secured against a bilateral loan facility with Morgan Stanley Bank, N.A. Given the nature of the collateral in this financing being affordable and social housing and the various other measures being taken by Sage (including these assets), Sage Rented Limited and Deutsche Bank determine Sage AR Funding 2026 No. 1 PLC to have a positive social impact on communities in which they operate and to be eligible for Social Securitised Bonds issued under the securitisation.



Sage is a Registered Provider regulated by the Regulator for Social Housing, so all of their activities will be compatible with the eligibility criteria outlined for the Social Bond. Projects are evaluated and selected by Sage’s inter-departmental Sustainable Bond Panel (the ‘Panel’) which is responsible for overseeing the selection, evaluation and monitoring of proposals. The Panel comprises their Chief Financial Officer and the Head of Internal Audit and Risk. The Panel will pay particular attention to perceived unintended social and environmental risks generated by Sage’s developments. This includes but is not limited to: worker health and safety, community relations and environmental concerns related to a development. Sage work closely with their Estate and Property Managers to engage proactively with their residents, encouraging feedback on potential areas for improvement to the communities in which they live. Feedback is reported to the Panel on a quarterly basis and Sage’s Customer team takes this forward.

4. Management of proceeds

Sage Homes Group’s Finance department is responsible for the management of proceeds, which will be primarily used for the refinancing of existing debt (for avoidance of doubt this means debt which meets Sage’s affordable criteria). Sage has a Sustainable Asset Register and an internal process to assign and track the allocation of outstanding Sustainable Bond net proceeds to Eligible Projects. Because Sage only delivers affordable housing, all of their activities will be compatible with the eligibility criteria outlined for a Sustainable Bond. Pending full allocation (which in any event will be within 24 months), Sage will temporarily hold the unallocated net proceeds at its own discretion in cash or cash equivalents, or in other short-term liquid marketable instruments. Any excess will be directed towards the provision of further affordable rented or shared ownership homes. Reporting will distinguish between these two uses. Therefore, only mortgages meeting the eligibility criteria will collateralise the Sage AR Funding 2026 No. 1 PLC securitisation. The eligible loan that serves as collateral will be documented, and this information will be checked by an external auditor. Ongoing cash management at Sage AR Funding 2026 No. 1 PLC will be governed by a cash management agreement between, inter alios, Sage AR Funding 2026 No. 1 PLC, the issuer cash manager, and the issuer account bank (which will be restricted to allocation of ongoing proceeds from the loan - interest, fees, repayments etc. between the bondholders) and will be described in detail in the offering documentation for the bonds.

5. Reporting

Sage AR Funding 2026 No.1 PLC is committed to provide an allocation report until the maturity of the sustainable securitisation. Due to the nature of the proposed sustainable finance CMBS, proceeds of the transaction will be 100% allocated upon issuance to refinance the eligible asset. The information made available to investors will provide data on the underlying eligible assets, with Sage Rented Limited producing an allocation on an annual basis, published on its website and in Sage's annual statements. Until full allocation, the reporting will include the total amount of proceeds raised under the bond, details of financed/refinanced projects and the balance of unallocated proceeds, if any. Sage will contract an external auditor to review allocation reporting, which is viewed as best practice. In addition, on a best effort basis, Sage Rented Limited intends to report on positive social and environmental impacts achieved through the financed eligible social projects. Some example indicators include the number of social and affordable housing units constructed, the number of families housed in Sage's social housing homes, the average discount of rents to market level retained at 30% or higher, job creation and support linked to Sage's portfolio, EPC ratings of Sage portfolio, 100% safety compliance on homes which Sage is responsible, access to green space, customer arrears at or below sector average, long-term reduction in local authority housing waiting list times.

6. External Review

This framework is submitted and reviewed to a Second-Party Opinion (SPO).

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