

Homes to build lives in

SAGE RENTED LIMITED

ANNUAL REPORT AND
FINANCIAL STATEMENTS 2023



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Find out more online

→ www.sagehomes.co.uk

We are proud to deliver affordable homes, helping to tackle the housing crisis

Sage Homes is a trading name of Sage Rented Limited and of other companies in the Group. In this report, "Sage Rented" or the "Company" refers to Sage Rented Limited registered at Companies House Number 11217855, Regulator of Social Housing ("RSH") Number 5083. "Sage Homes", "Group" or "Sage Homes Group" refers to the companies shown in note 25 in the financial statements, acting together.

Financial highlights

TURNOVER

£37m

+37%



Rental revenue has increased in line with stock growth.

OPERATING PROFIT

£6.6m

-28%



Operating profit has reduced this year owing to the allocation of housing management costs.

Operational highlights

CALLS ANSWERED BY CUSTOMER CARE TEAM

29,470



The Customer Care team answered almost 29,500 calls in 2023. This was their first full year of operation, having only been established in September 2022. The prior year comparative includes the period from inception only.

CUSTOMERS HELPED BY FINANCIAL WELLBEING TEAM

1,176



Our Financial Wellbeing team have supported customers in accessing £1.6m of grants and unclaimed benefits in their first full year of operation.

2023 Group successes

Sage Homes is pleased to have been named England's largest provider of newly built affordable homes for a third successive year and were graded G1* V2* in our first In-Depth Assessment. This year, we began managing our affordable rental homes in-house, previously handled by an external service provider, investing in our new Customer Centre in Northampton and welcoming over 100 new colleagues. Sage Homes stood alongside the sector to assist customers through the challenging inflationary period. Our commitment included limiting the increase in our rents while our Financial Wellbeing team continued supporting our customers. The desire to innovate and grow led to the creation of a new shared ownership offering in Home Stepper and a valuable new partnership with Vistry Group.

OUR GROUP NUMBERS

30,000

Goal for new affordable homes delivered by 2030

1,674

Shared ownership first tranche homes sold this year, making a total of 5,654 sold since inception

2,589

Additional new home builds committed to in 2023 with 7,637 homes under development

£528m

Invested in building new affordable homes during the year

4,177

Affordable homes delivered in 2023

£558m

Of additional external funding secured

2,696

Lettings achieved across the year

177

Local Authorities working closely with Sage Homes

98%

Of our homes are rated EPC A or B

14,918

Homes delivered by Sage Homes since inception

OUR GROUP MILESTONES

- Successfully completed our first In-Depth Assessment undertaken by the Regulator of Social Housing, attaining a G1* V2* result, showing that we are a committed and valuable presence in the affordable housing sector.
- Delivered more newly built affordable homes in England than any other provider in the year.
- Established a team to directly manage the Group's affordable rental homes. At year end, Sage Homes managed 2,988 rental homes, with a further 5,500 added in January 2024.
- We launched a new partnership with Vistry Group, the largest residential transaction of its kind, providing 1,389 newly, and to be, built private homes and utilised grant funding assistance to transform these into a mix of social, affordable and shared ownership homes.
- Opened a new Customer Centre in Northampton, housing our dedicated Customer Care team and other customer-focused teams, as well as further building out our field-based teams.
- Launched new customer-centred technology with My Sage Home digital service and Omnichannel, an internal platform improving how we communicate with customers.
- Our specialist Financial Wellbeing team helped 1,176 Sage Homes customer households access £1.6m in support from grants and unclaimed benefits.
- We designed a new way for Sage Homes to work with housing developers to deliver more new shared ownership homes. Through our Home Stepper programme we have already committed to delivering 1,412 additional affordable homes over the next two years.
- We increased our RCF capacity by £250m and closed a new £308m loan, proving our ability to continue to attract additional capital into the sector.

Meet Jeany: “under new management”

JEANY WILSON – AFFORDABLE RENTAL CUSTOMER, EAST RIDING OF YORKSHIRE

Jeany Wilson is one of 650 Sage customers whose home’s management was transferred to Sage Homes from Places for People in November 2023. She was in the first tranche of customers whose homes were transferred. This was followed by a further 5,500 in January 2024.

After many years working in door-to-door sales, Jeany fell and broke her hip and wrist, preventing her from continuing in the job she loved.

After negative experiences renting privately, Jeany put her name on the local authority housing list in July 2022 and she and her partner were offered a Sage Homes newly built two-bedroom apartment four months later. After a year of the home being looked after by Places for People, it was transferred to Sage Homes in November.

She found the process smooth, “I was happy with the transition process,” she said. “It was seamless really. Everything was done as it should have been.” She also found communication to be clear around the transition and is already pleased with her new local Service Quality Manager, Stephen Kemp, for his quick responses to issues. “I’m very impressed with him,” she says.

“We rented privately and felt that they could pull the rug from underneath us at any time. Whereas here we have a five-year tenancy and it feels a lot more comfortable. If we have any problems, we know we can come to Sage.”



“I was happy with the transition process,” she said. “It was seamless really. Everything was done as it should have been.”

Managing our customers' homes ourselves

After three years of planning, 2023 saw us take the first steps towards managing our affordable rental homes ourselves, taking over responsibility from Places for People, as explained opposite. From June 2023, all newly delivered affordable rental homes were managed by Sage Homes from the start of the tenancy.

Preparing for this change saw large-scale internal transformation. To supplement the existing Customer Care team, we hired 113 new colleagues and created four new teams: The Homes and Communities team focuses on tenancy engagement; the Community Safety team is responsible for all community safety matters including antisocial behaviour; the Income team supports customers with their household budgets and manages the collection of rent, while the Repairs and Voids team delivers maintenance services. These teams work from our expanded Customer Centre in Northampton, as well as locally in the communities they serve.

Following the successful running of test sites in Chertsey, Watford, Wellingborough and Burgess Hill at the end of 2022, Sage Homes took over the management of all new homes in June 2023, with no reliance on third-party management services.

In addition, we launched My Sage Home, our new bespoke digital portal, allowing customers to contact us, raise issues or repairs, change their payment options, and access a wealth of information to help manage their home and tenancy successfully. Internally, we enhanced our customer relationship management ("CRM") system with the launch of Omnichannel, allowing customers to speak to us via LiveChat and then if needed, easily switch to the telephone. The system also helps to make our Customer Care team more effective by reducing their administration time on calls, allowing our skilled advisers to support customers efficiently and productively.

Directly managing our customers' homes and services, including the contractors we use for maintenance work, allows us a much closer relationship with our customers, allowing us to fully manage their overall experience. We aim to bring existing best practice and innovative new ideas together to create impactful housing services. In addition to our four newly created teams, our Service Quality Manager teams are now in full control of block inspections and follow up actions, working across the organisation to meet our customers' needs and address any risks. Our Digital and IT teams are constantly improving My Sage Home and our internal customer relationship management systems to support our customers in the best way possible.

This has been a momentous year in Sage Homes' journey and 2024 has seen the final transition of customers' homes to our management, enabling us to support them far more effectively.

Our purpose

- Providing homes
- Inspiring change
- Improving lives

Our mission

- We make good homes affordable for people all over England

Our values

- Home for everyone
- Powering positive impact
- Enterprising to grow

Achieving our target and meeting our customers' needs

Sage Homes was created in 2017 with the aim of providing significant numbers of new affordable homes to help address the country's housing crisis. In 2023, we were named the largest provider of newly built affordable homes in England for the third successive year. We are now an established presence in the affordable housing sector and we are on track to meet our ambitious targets.

Innovating and adapting

We continue to attract new, high-quality and much needed finance into the affordable housing sector. Our success improves customers' lives and encourages additional investment from private capital focused on a socially responsible area of the property sector. In 2023, we brokered exceptional partnerships, including a loan with Morgan Stanley for £308m and a transformational development partnership with Vistry Group that is the largest of its kind. We are continuing to explore new funding structures and opportunities with organisations interested in stable long-term investment, such as pension funds.

Value for money is a priority throughout our business, making the most of our investors' capital to serve our customers. We partner with Homes England and the Greater London Authority to further increase the number of new affordable homes being built. In 2023, Sage Group received grants of £37m (2022: £22m). To date we have delivered 1,562 new affordable homes with grant support, and have a further 3,282 under construction. Our In-Depth Assessment rating of G1* V2* assures customers and our partners of our excellent governance and financial stability.

Our Group target

30,000

New affordable homes to be delivered by 2030

14,918

Homes delivered from inception

22,555

Total home delivery commitment to date, including 4,177 in 2023.

This is the result of our dedicated teams and partners working together across our organisation and the wider housing sector.



Building a robust organisation: strong governance for change

The Boards of Sage Homes' Registered Providers all have a two-thirds (66%) majority of independent members. They have strong experience of the sector and a robust risk management and control framework. By focusing on our customers first and foremost, we're continually aiming for the highest levels of compliance with the Regulator of Social Housing's standards. We voluntarily follow the rigorous Financial Reporting Council's UK Corporate Governance Code wherever relevant and our commitment to the best environmental, social and governance ("ESG") practice is at the heart of how Sage Homes operates.

We have started to take over the management of all our customers' homes and introduced new technology to help our customers find the answers they need and raise requests without having to call or email us. By managing our properties in-house, we've enhanced customer service and leveraged our industry skills and partnerships. This approach allows us to use investment capital more effectively, creating efficiencies that benefit both our business and our customers. My Sage Home is our new digital service, letting customers communicate with us when they want to via LiveChat. We also enhanced our customer relationship management ("CRM") capabilities with the launch of Omnichannel, allowing customers to start speaking to our Customer Care or Repairs teams on LiveChat and then if needed, switch to the telephone. This technology means our colleagues know the caller's open cases, statuses, customer history and more, from the second they answer the phone, allowing them to assist more quickly.

Co-creating services with customers

High-quality customer service is of the utmost importance and defines how we operate, from how we listen to our customers to our expectations of our partners. We've worked directly with our customers this year to hear their views, with the Customer Scrutiny Panel members leading individual

Insight Groups made up of more of our customers and discussing specific topics including community safety and customer communications. We have worked hard to develop our Financial Wellbeing team's outreach, with £1.6 million of support and unclaimed benefits secured for those customers most in need. We've also launched a new Community Safety team, addressing key issues such as antisocial behaviour head-on with a blend of industry knowledge and innovative approaches.

We have also launched new community funds, helping our customers to plan their own community-strengthening events for everything from litter-picks to street parties. This year alone, over 1,000 customers have been involved in community events supported by Sage Homes.

Innovating and adapting: the largest partnership of its kind

Sage Homes signed a landmark partnership agreement with Vistry Group in collaboration with another Blackstone and Regis portfolio company, Leaf Living, involving almost 3,000 new homes. The largest partnership ever of its type, Sage Homes and Leaf are acquiring a combined 2,915 homes from Vistry to be delivered by the first quarter of 2027. The transaction demonstrates the strength of partnerships that we have developed, finding new solutions to maintain delivery of affordable homes.

Spread over 81 Vistry developments, 1,389 of the homes will be delivered for social and affordable rent or shared ownership by Sage Homes, with the remainder for private rent by Leaf Living.

One of our new sites is Norwood Farm in Northamptonshire. Providing 34 affordable rent homes, this is a contribution to an area in need with West Northamptonshire Council reporting 3,865 applicants on their housing register by the end of December 2023, 1,737 of whom were in urgent need.

This partnership is in addition to the launch of Home Stepper, our new product that provides additionality by working with developers to convert open market housing to new shared ownership homes.

Delivering value to our stakeholders

Sage Homes has firmly established itself as a trusted presence in the affordable housing sector. We've achieved this by paying close attention to the way we work with customers, colleagues, partners and suppliers, and are attracting future investment into the sector. Our mission is to make good homes affordable for people all over England.

Working with our customers

OUR CUSTOMERS

Our customers are at the heart of our business. We want to offer them modern, high-quality and energy efficient homes they can be proud of. From one- to five-bedroom apartments and houses, we offer affordable and social rented homes and shared ownership purchase homes, valuing each of these tenure types equally.

Operating across England as a Registered Provider of social housing, we chose not to be active in the private open market for rental or sales and remain solely focused on affordable homes.

We prioritise addressing any issues with our homes as soon as they arise with our Customer Care team working closely with our Aftercare team and our housebuilder partners. Newly built homes often see snags or defects in their first few months so our processes are focused on resolving these quickly and thoroughly. Our homes need to be safe, energy efficient, well-maintained and inspire pride in our customers who live there.

The economic climate remained challenging for a second successive year, with many customers facing increases in the cost of energy, food and daily living. Our Financial Wellbeing team has continued to offer guidance and support and helped customers understand their entitlements and apply for benefits and grants. To date they have supported 1,289 households, helping many of our at-risk customers cope better with the current situation. We also offer benefit calculators, online budgeting and tailored guidance on our website along with our new My Sage Home digital service. We continue to partner with Barclays Digital Wings, offering specific training to customers and colleagues on financial and online topics.

OUR COMMUNITIES

We believe in the power that strong communities can bring to our customers. Heart of Sage, our community fund, continues to support causes that affect our customers' and colleagues' lives in addition to offering opportunities to develop their skills and experiences. This year we've supported diverse organisations including Refuge, Save the Children, Shelter, Teenage Cancer Trust, LandAid and Magic Breakfast through internal fundraising drives. We've also worked through the Financial Wellbeing team to source white goods for customers and provide food and fuel vouchers where needed. We have helped customers avoid homelessness by helping them access the right benefits and funding. This year also saw our sponsorship and grant scheme take off, with 52 local community events including celebrations for the King's Coronation and Halloween gatherings. We continue to work with customers to fund community-enhancing projects they're passionate about.

OUR PLANET

Lowering the environmental impact is a crucial element of our ESG strategy. We work closely with housebuilders to make sure our homes are as sustainable as possible. We have reached 14,918 completed homes in our portfolio, 98% of which have Energy Performance Certificate ("EPC") ratings of A or B as of 31 December 2023. This saves our customers around £454 a year in energy bills (compared to the average UK home, which is rated EPC D). We've also begun pilots of solar panel installations and low-carbon technologies to make our homes as green as possible. We are measuring these pilots carefully, with the intention of rolling out successful methods across more homes. Due to projects like this and enhanced data collection across the business, we are reporting a reduction in carbon emissions.

Collaborating with our sector

OUR REGULATOR

Sage Homes embraces and prioritises the requirements of the regulated housing sector. Sage Homes' management team have maintained regular contact with the Regulator of Social Housing over the last few years as we approached our inaugural In-Depth Assessment ("IDA"). As a Registered Provider, we diligently adhere to the governance provisions overseen by the Regulator of Social Housing, as seen by our G1* V2* rating in this year's IDA. We are delighted that this rating demonstrates the seriousness with which we take our duty to achieve the highest levels of regulatory adherence.

OUR LOCAL AUTHORITIES

We are proud to work with each council area in a tailored way. We partner with local authorities to honour planning requirements and targets alongside developing thoughtful, flexible and innovative solutions, based on strong, long-term relationships. We rely on strong partnerships working to support vulnerable customers and communities through multi-agency networks.

OUR HOUSEBUILDERS

As a trusted business partner, we believe housebuilders find us innovative and easy to work with on new developments. Our single-stage approval process provides speed and assurance while our Acquisitions and Development Committee (Acquisition Committee) meets weekly, allowing offers made to be usually issued on a fully approved basis. We continue to work closely with housebuilders to make sure these homes are as sustainable as possible.

Building a robust organisation

OUR PARTNERS

We are selective about who we work with to help deliver services to our customers. We take pride in collaborating with those who care about our customers. We work with partners to provide high-quality affordable homes and services, from trusted local sales agents to carefully selected service providers. This was our final year of working with Places for People, our national property management partner, and we are grateful for their dedicated support over the past six years. We also launched a new national network of property maintenance partners to make sure all areas of the customer experience can be delivered by the best firms.

OUR PEOPLE

Our colleagues' dedication, passion and knowledge allows us to function at the pace and quality we do. We treat all colleagues with respect, rewarding and motivating those who embrace our culture and values. Our Sage Together workforce advisory panel organises social events, key celebrations and charitable fundraising activities. It meets monthly to make sure colleagues' concerns and ideas are heard and regularly attends Sage Homes' Board and Senior Management meetings, providing a healthy conduit between colleague and organisation. Sage Together also has two sub-committees which focus on Wellbeing and Diversity & Inclusion.

Innovating and adapting

OUR ADDITIONALITY PARTNERS

We continue to work hard with partners to make sure new affordable homes are offered wherever possible. We're passionate about making sure there are homes available to all those who need them, working inside and outside of the section 106 limitations. As an example, we recently signed a partnership with Vistry Group. This is the largest partnership of its kind and will see us provide 1,389 new affordable homes by mid-2027. These homes will be spread across 42 developments around the country, allowing us to continue serving customers across England.

This is an important milestone in our ambitious journey to deliver 30,000 new affordable homes by the end of the decade. We continue to work with external organisations to sign on more deals of this scale with partners that share our commitment to high-quality homes.

Woodgate Park, Cambridgeshire: Working with local authorities and developers

Sage Homes and Partner Construction Limited delivered 118 homes in March, Cambridgeshire, supported by grant funding from Fenland Council local authority. The partnership was signed within five months and exchanged in March 2022 with 76 affordable rent and 42 shared ownership homes made available. The homes will be ready to occupy in 2024.

Woodgate Park is named after footballer, Terry Woodgate, who played for West Ham before returning to March to run the football team and local pub. A traditional development, it sits on the edge of town with easy access to March and its amenities. It was built carefully with flood developments to negate the concerns of Fenland homes and offers plenty of open green space.



Our strategic pillars

This year we have set out our corporate plan to take us from 2024 to 2028 and are presenting our ambitions across four key strategic pillars. These focus our efforts to make sure we meet our targets and ultimately achieve better outcomes for our customers, both now and in the future.

We have shown our achievements under the existing five strategic pillars below and then laid out the four new pillars and what we plan to do under each.

1

CUSTOMER FOCUS

Customers are at the heart of our business and why we do what we do. We want to build strong, local communities that celebrate diversity and mixed backgrounds. We want our homes to be places people want to live and be good neighbours to one another.

2

CULTURE

We are an inclusive employer and our colleagues embrace our values.

Strategy in action

DURING 2023 WE WORKED HARD UNDER EACH STRATEGIC PILLAR TO DELIVER OUR CORPORATE PLAN.

WE HAVE...

- Invested in new customer-facing technology, including our new digital service My Sage Home, helping customers instantly access the information they need, the services they want and the team who can help them.
- Invested in internal technology, using Omnichannel to increase our Customer Care Team's efficiency by bringing all relevant customer information up from the moment they pick up the phone.
- Run multiple insight groups led by members of our Customer Scrutiny Panel supplemented by additional customers looking into relevant topics including customer communications and community safety.

WE HAVE...

- Helped our colleagues get closer to our customers with our Customer Care Team directing concerns to the correct teams to resolve issues faster.
- Carried out a full review of our benefits package, introducing a new health cash plan and electric car scheme as well as retaining MyndUp support. This makes sure Sage Homes remains an enviable place to work for our colleagues.
- Continued our annual employee survey to find out how to strengthen and improve the way that individual colleagues engage with Sage Homes.
- Promoted diversity and inclusion through a variety of events including company-wide education and celebration events for religious occasions, Pride and Inclusion Week.

Our new strategy

At the last Board meeting of 2023, the Boards signed off a new corporate strategy to run from 2024 to 2028. The new pillars are:



3

STRONG GOVERNANCE

We're committed to the highest levels of corporate governance, using it to establish important changes and new ways of working.

4

FINANCE, RISK AND CONTROL

We're committed to value for money and managing risk.

5

OPERATE WELL

Our relationships are built on transparency and trust, we strive for the highest standards in the workplace, with customers and with partners.

WE HAVE...

- Successfully passed our first In-Depth Assessment ("IDA"), gaining a G1* V2* rating.
- Improved our CRM, reporting and analytics to make sure our data is as accurate as possible.
- Carried out an optimisation of our corporate structure, making changes and bringing in new teams of people to make sure our operations run smoothly and efficiently ahead of taking over the management of our rental customers' homes.
- Maintained a skilled and expert Independent Board with control of our activities, using the data and analytics we have to drive strategic decisions.
- Used our Customer Scrutiny Panel to regularly feedback on our work and communications, using their feedback to improve these as needed.

WE HAVE...

- Started to explore options to diversify our funding base as part of our longer-reaching self-financing strategy.
- Continued our focused cyber-security campaign, getting colleagues to identify and report phishing and data security threats, improving our online safety across Sage Homes.
- Continued to manage risk carefully.

WE HAVE...

- Our Financial Wellbeing Team secured £1.6m of financial support for customers by the end of 2023.
- Improved our technology use with the launch of My Sage Home, our digital service for customers.
- Continued building good relationships with new and familiar housebuilders to explore every development opportunity.
- Continued discussions with housebuilders and developers to make sure defects and snags are caught before customers move in, and resolved expeditiously and completely if they are not.
- Provided funding for customer community events through Heart of Sage, including celebrations for the King's Coronation and Halloween gatherings.

1

OUR CUSTOMERS

We will put customers first, driving efficiency and striving towards top quartile customer service.

2

OUR HOMES

We will deliver high-quality, safe homes which are sustainable for the long term.

3

OUR PEOPLE

We will have an engaged and dynamic workforce, highly efficient and effective, with a strong customer-centric culture.

4

OUR BUSINESS

We will continuously innovate to create the most efficient Registered Provider in the sector.

Managing Sage Rented Limited's performance

<div><div>CUSTOMER SATISFACTION WITH THE LETTINGS PROCESS</div><div>93%</div><div><div>2023</div><div>2022</div></div><div><div>93%</div><div>90%</div></div><div><div>1</div><div>4</div></div><div><div>DESCRIPTION</div><div>Improving the efficiency of the lettings process for customers and staff.</div><div>PERFORMANCE</div><div>We've continued increasing customer satisfaction year on year through colleague training and digitising our processes.</div></div></div>	<div><div>CUSTOMER RATING OF LETTINGS STAFF'S HELPFULNESS</div><div>85%</div><div><div>2023</div><div>2022</div></div><div><div>85%</div><div>82%</div></div><div><div>1</div><div>2</div><div>4</div></div><div><div>DESCRIPTION</div><div>Improved staff training builds a strong customer relationship from the start.</div><div>PERFORMANCE</div><div>The focus on the customer through 2023 has contributed to an improved score as customers recognise the helpfulness of our lettings team.</div></div></div>	<div><div>CUSTOMER SATISFACTION WITH CONDITION OF RENTED HOME</div><div>88%</div><div><div>2023</div><div>2022</div></div><div><div>88%</div><div>87%</div></div><div><div>1</div><div>4</div></div><div><div>DESCRIPTION</div><div>Strong developer relationships result in well-presented homes to customers.</div><div>PERFORMANCE</div><div>Sage Homes has strengthened its relationships with our developer partners and employer's agents, to ensure that high-quality homes are handed over to our customers.</div></div></div>
<div><div>AVERAGE BAD DEBT EXPENSE PER UNIT</div><div>£14</div><div><div>2023</div><div>2022</div></div><div><div>£14</div><div>£76</div></div><div><div>1</div><div>3</div><div>4</div></div><div><div>DESCRIPTION</div><div>We measured the average bad debt expense per unit. This includes debt such as tenants who do not pay their rent.</div><div>PERFORMANCE</div><div>There has been a significant decrease in bad debt for 2023. This is due to having a more mature portfolio of homes as bad debt tends to occur during the early part of a tenancy.</div></div></div>	<div><div>BUILDING SAGE HOMES' TEAM Sage Group headcount</div><div>368</div><div><div>2023</div><div>2022</div></div><div><div>368</div><div>304</div></div><div><div>1</div><div>2</div></div><div><div>DESCRIPTION</div><div>To support our growth and enable us to achieve our strategy and goals, we continued expanding our people base significantly.</div><div>PERFORMANCE</div><div>During 2023, we increased our headcount by 64 colleagues, adding high-calibre expertise from diverse backgrounds across our business.</div></div></div>	<div><div>CORPORATE COMPLIANCE Governance framework</div><div>Sage Homes has consistently applied the provisions of:<ul style="list-style-type: none">FRC UK Corporate Governance Code (subject to explanations)RSH Governance and Viability Standard</div><div>Increased Board diversity</div><div>5</div><div><div>Link to strategic pillars</div><div><div>1</div>Customer focus</div><div><div>2</div>Culture and people</div><div><div>3</div>Finance, risk and control</div><div><div>4</div>Operate well</div><div><div>5</div>Strong governance</div></div></div>

Cementing our position in the sector



We continued to see economic turbulence affecting our customers throughout 2023. I'm pleased to say that Sage Homes was able to act alongside others in the sector to support customers suffering from inflationary pressures through a rent cap. The new housing development market slowed as interest rates, mortgage rates and inflation climbed and yet, despite these overall conditions, Sage Homes was named England's largest provider of new affordable homes for the third year running, delivering 4,177 affordable homes in total across 254 sites.

It is in the light of this challenging backdrop that I am delighted by the positive outcome of Sage Homes' first In-Depth Assessment ("IDA"). I would like to thank the team at the Regulator, my Board colleagues and the whole team at Sage Homes for achieving the fully compliant rating of G1* V2*. G1* is the highest Governance rating possible, reflecting the stringent governance arrangements we have in place behind our three Registered Providers. V2* is frequently seen as the Viability rating for Registered Providers who are delivering new homes at scale and pace. Many in the sector see this rating to be the "new normal", proving our positioning in the sector. We're pleased that the Regulator is confident we can maintain our financial viability without putting any social housing assets at undue risk, helping us to continue to provide new homes for our customers.

We received this IDA judgement in a year of rapid evolution as we prepared for the significant task of bringing the management of all our rental customers' homes in-house. As Chair, I believe that this next stage in our evolution is one of the most important as it brings us closer to our customers and allows the can-do culture of the Sage Homes team to directly influence outcomes. By the end of the year we were successfully managing over 2,000 rental homes.

A huge thank you must go to all colleagues involved with the seismic change this project has required. Sage Homes has begun to transition from development-led to services-led, placing our customers at the heart of our organisation and taking full accountability for the services they receive. We managed 2,988 of our rental homes, in addition to 100% of our shared ownership homes at year end. We consulted with all our customers, giving them clear information and the opportunity to share their concerns or questions, which were fully answered. We have expanded the support for our customers, introducing multiple new teams to meet their needs and improve the services they receive.

We brought the remaining 5,500 externally-managed homes under our own management in January 2024, concluding our partnership. I'd like to thank Places for People for their unrelenting support as Sage Homes has moved from a fledgling business to an established and significant presence within the affordable housing sector. Sage Homes has undergone great changes and reshaping as we prepare for this transition and I have no doubt that we are ready for this exciting new phase in Sage Homes' story.

This new, larger Sage Homes has shown how much we have to offer the wider housing sector, rising to the challenge of providing additionality in affordable housing. The sector now recognises the role of institutional funding in the delivery of meaningful additionality. We aim to be a valuable Strategic Partner to Homes England and the GLA, and this year we have worked hard to support wider efforts to use grant funding to deliver more affordable homes to customers.

Finally, I am excited to share our new strategic plan to support the organisation as we continue moving towards our goal of delivering 30,000 homes by 2030. The new Sage Homes strategy is now underpinned by four pillars: our customers, our homes, our people and our business. We'll set corporate targets under these pillars and will deliver a year-on-year performance to achieve our goals.

I'd like to thank my Board colleagues for their time and the committees they run. Thank you to all our colleagues, investors and partners. It is thanks to your enthusiasm and dedication that Sage Homes continues to flourish in the vital work we do in affordable housing.

Alison Thain OBE
Chair
22 May 2024

Ready for our next challenge



This year has been one of the most transformative in our short but vibrant history. In a year when we devoted huge efforts preparing to take over our housing management from Places for People, we still managed to innovate and find ways to grow our business and deliver a stand-out year. A record 4,177 more affordable homes have been provided for our customers, up 21% on 2022.

Innovation is a core attribute at Sage Homes. This year we created a new product "Home Stepper", working with housebuilders in exciting new ways to convert newly built private sale homes into shared ownership homes. In the six months since launching in July, we already have more than 300 Home Stepper customers. In addition, our shared ownership sales team has delivered another record year for us with 1,674 homes sold, despite strong economic headwinds with the rise in the cost of living and interest rates. This is nearly a 13% increase on last year. In the first half of December 2023 alone, our lettings team let 319 homes, breaking our previous monthly record. Our colleagues' dedicated work reflects and achieves our mission of making good homes affordable to people all over England. Their efforts have allowed us to continue to provide affordable homes at pace and scale.

Our new homes acquisition pipeline has grown through a pivotal new partnership with Vistry Group in a transaction which breaks new ground, literally and figuratively, for the delivery of new affordable homes. The largest partnership ever of its kind, it will see 1,389 homes delivered by early 2027. This transaction, with two Strategic Partners working closely with Homes England to deliver one of the most significant new-build residential transactions in recent years, demonstrates how public sector funding and private capital can be put to work to deliver new affordable homes at scale. Whilst we continue to work to provide new homes through Section 106 and transactions with local authorities and others, this transaction demonstrates a willingness at Sage Homes to work creatively to find new solutions for the delivery of affordable homes. We remain agile, able to react quickly to changing economic situations and continue to deliver more affordable homes at scale and pace.

Readying the Sage Homes team to take over the management of our rental customers' homes has been one of our biggest focuses of the year. Systems and teams that have been in development for several years have started delivering for our customers. We launched My Sage Home, our new online service that lets customers contact us, raise repairs, change their payment method and access useful information at the tap of their phone screen. My Sage Home was co-created with our customers and is proving successful amongst those who have started using it and we have seen significant improvement regarding satisfaction in our digital services, as proven by our perception survey scores. Internally we enhanced our customer relationship management capabilities with the launch of Omnichannel, allowing customers to start speaking to us on LiveChat and then, if needed, switch to telephone. The system also helps to make our Customer Care team more effective by reducing their administration times on calls through automated transcription and clearing the way to let our skilled advisers support customers efficiently and productively. We opened our new Northampton Customer centre with customer-centric technology at its heart. This office provides us with a new base, hosting many of our customer-facing colleagues and bringing our teams geographically closer to our customers.

“A transformative and innovative year, with our customers at the core.”

The major theme of this year has been evolution. Our first five years had a tight focus on acquiring homes. During 2023, we moved to having more homes delivered and under management than in our delivery pipeline. We spent much of the year preparing to take over all housing management from Places for People, and we have been building our organisation to embrace a service-led approach. By year end, we had transferred around 600 customers to Sage Homes, previously managed by Places for People and are now directly managing over 9,000 homes. In January 2024, we took over the management of the remaining 5,500+ customers from Places for People and begin the new phase in Sage Homes’ journey - caring for our customers ourselves as well as acquiring homes. It is the right time to make this change and I would like to thank our partners at Places for People for their support over the last few years. Without their support we would not be the Sage Homes we are today.

Our Customer Scrutiny Panel (“CSP”) continues its crucial work of evaluating and feeding back on our policies, our communication and our proposed ways of working. Through their Insight Groups, they have extensively researched customer experience. With these Insight Groups, every passionate, honest and engaging customer-to-customer conversation gives Sage Homes very frank feedback

and has resulted in clear action plans for the Sage Homes teams to implement. Each step of the way, we keep our CSP members informed and in turn they help adapt the action plans.

We move into 2024 after a year of rapid change with enormous enthusiasm for our future. We continue to prepare to bring all our housing management inhouse and we will find new ways to grow by acquiring homes. We will continue to explore how to bring new capital into our structure and into the sector and we will work widely with partners to seek out opportunities. Our ability to build new teams, systems and products, even in a difficult external climate, makes Sage Homes an exciting place to work. I’m very thankful to my Board colleagues, our partners, including the local authorities we work with, and to everyone striving at Sage Homes to make a real difference for the deserving individuals, families and communities with whom we work.

Mark Sater
Chief Executive Officer
 22 May 2024



UNDERSTANDING THE LIVED EXPERIENCE OF THE CUSTOMER

This year we have amplified our customers' voices by inviting a wider group of customers to engage with us, due to the creation of a programme of Insight Groups. These one-off groups were promoted to all customers, encouraging feedback on a selection of focused topics. Chaired by members of our Customer Scrutiny Panel ("CSP"), they were carefully shaped as to allow the customer voice to shine through.

Four sessions were held in 2023, each with between seven and 11 customers attending to ensure the CSP chair could involve all of those taking part in the conversation. They covered topics including community safety, empowering communities, customer communications and customer experience. Each session results in actions being assigned across Sage Homes, making sure the sessions are impactful and drive real change. These groups will continue to be run in 2024. Some of the changes we made because of these sessions included:

COMMUNITY SAFETY INSIGHT GROUP ACTIONS

- We launched a self-service community safety toolkit on the website and customer portal after developing it with customers.
- Integrating the Community Safety App with our My Sage Home service.
- Built anonymity features into our CRM so customers can disclose issues anonymously.

EMPOWERING COMMUNITIES INSIGHT GROUP ACTIONS

- Updated our Customer Engagement Policy to improve how we work internally to meet customer needs.
- Improved relationships with managing agents to make sure information given to customers is up to date.
- Began developing a community champions scheme to roll out in 2024.
- Launched the Heart of Sage seasonal fund to empower customers to take the lead in their communities.

CUSTOMER COMMUNICATIONS INSIGHT GROUP ACTIONS

- Updated all communications to be more friendly, clear and professional.
- Using brand design to make communications more approachable.
- Worked with customer-facing teams to use communal noticeboards more effectively.

CUSTOMER EXPERIENCE INSIGHT GROUP ACTIONS

- Created clearer messaging for customers whose homes' management is transferring to Sage Homes.
- Improved functionality of our communication tools including the website chatbot.
- Explored how to best update our digital communication tools, improving their intuitive user experience.

Environmental, Social and Governance

Environmental, Social and Governance (“ESG”) is a core focus for Sage Homes, helping us create sustainable homes and maintain a sustainable business.

We want to positively impact the environment, create communities and make sure there is good governance across Sage Homes.

2023 achievements

- ✓ Delivered pilot projects alongside ongoing data monitoring to deliver lower-carbon technology in homes as well as a solar panel roll-out, generating around 23,160kWh of solar electricity per year.
- ✓ Increased proportion of EPC A rated homes and upgraded C rated homes; 98% of our homes are rated EPC A or B.
- ✓ Increased scope 1 & 2 emissions data coverage across the portfolio achieving 63% void energy meter data capture through 2023.
- ✓ Developed framework to monitor and report Sage Homes’ social value contribution.
- ✓ Implemented a workforce strategy to embed Diversity and Inclusion and Wellbeing activities, including delivering events through our workforce panel and delivering a Strategic Employee Value Proposition, helping to build an inclusive culture.
- ✓ Evaluated relevant supplier information to develop Responsible Sourcing Policy, ESG policy and Sustainable Supply Chain Policy.
- ✓ Leveraged ESG Steering group to embed ESG targets into our corporate plan linked to colleagues’ remuneration, continuing integration with customers and Sage Together.
- ✓ Donated almost £83,000 through Heart of Sage to help support charities, community groups and those customers most in need.

2024 ambitions

- Scale pilot projects to deliver lower-carbon technology in more homes.
- Continue to develop and complete “zero carbon ready” specification for homes.
- Transform Heart of Sage into a formal charitable Community Benefits Society.
- Explore financing opportunities to grow and scale our pilots.
- Undertake a social wellbeing customer survey to develop social impact baseline.
- Devise a strategy for year-on-year growth in social impact.

Our ESG work at Sage Homes



Carbon reporting

We have energy efficient homes with 98% of our properties rated EPC A or B. We're also working hard to reduce our operational carbon. Over the last year we have improved our carbon reporting by identifying energy use in our unoccupied properties. As a result, we can report our carbon emissions even more accurately, as well as identify areas to target reduction actions and now understand our previous estimates to be overstated.

We have published ESG and Sustainable supply chain policies and next year we will continue to make improvements. We are working closely with our supply chain, encouraging them to report on their key environmental impacts to help us make better-informed procurement decisions moving forward.

A full breakdown of our energy use and carbon emissions in 2023 is available within the Streamlined Energy and Carbon Reporting ("SECR") 2023 as detailed in the Directors' report on page 64. We've reported on activities over which we have financial and operational control.

Creating low-carbon homes

Three Sage Homes families are now living in affordable rent homes fitted with an array of free energy-saving technologies as part of an innovative project to monitor energy usage. These brand-new homes, built by St Modwen Homes for Sage Homes, offer a mix of low-carbon technologies including:

- Solar panels and battery storage to generate electricity.
- Wastewater heat recovery to save on hot water costs.
- Air source heat pumps for all-electric heating.
- Solar water heating using a smart water tank.

Michelle Briddon is one of the Sage Homes customers in these new purpose-built homes. She said "With the cost of living ... it's really appealing to be part of an energy-saving scheme that makes our household costs more affordable for us."

Sage Homes will monitor each house's energy usage over the next two years, using the findings to help more customers reduce their bills in future.



Heart of Sage

Heart of Sage is our community fund for projects, organisations and individuals, helping customers and colleagues support their communities. Distributed by an independent committee, Heart of Sage's funding is split into hardship support, charity match-funding, sponsored volunteering and community grant-giving. In 2023, Heart of Sage issued 52 vouchers to customers who applied for funding for their community events, including celebrations for the King's Coronation and Halloween gatherings resulting in around 950 households attending these events. We also approved two larger grants, supporting a winter community fair and a local Easter egg hunt, amounting to a total of over £10,000 given. Our partnership with Matipo Arts, a local community group who deliver multi-art workshops in Essex, continued helping Sage Homes families take part in creative activities.

We also ran customer webinars on a variety of topics. We partnered with MyndUp for an online session on mental health around finances as well as one focusing on our partnership with Barclays Digital Wings. This webinar showed customers how to use this free online service and use the courses to build excellent CVs, learn interview techniques, develop digital skills, understand how to budget and protect loved ones from fraud.

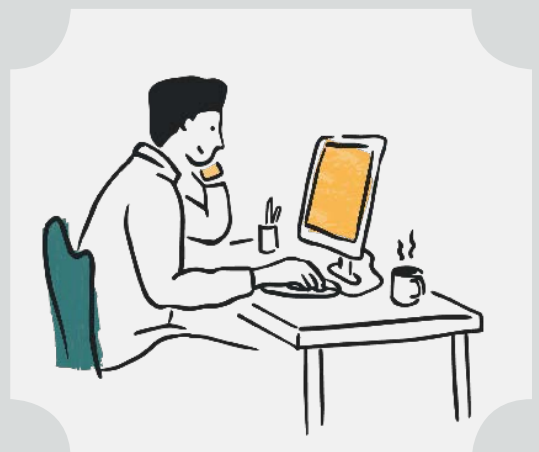


“Heart of Sage continues its mission of creating opportunities for Sage Homes’ customers and communities. This year we’ve supported customers with events, sponsorship, education opportunities and we have engaged with over 1,000 customers in community events. Built around our values, Heart of Sage is going from strength to strength and I look forward to next year’s activity as we begin the process of developing it into a formal charitable community benefits foundation.”

Cindy Rampersaud
Chair of Heart of Sage

Financial Wellbeing team

The Financial Wellbeing team continued to provide dedicated support for customers, helping them find new sources of financial support. By the end of 2023, the Financial Wellbeing team had helped 1,176 customers with either food, energy bills, the provision of school uniforms or white goods. The team also work closely with customers to make sure that they get the benefits they need and any other forms of public grants and to date they have worked to raise £1.6m in financial support for those in the highest levels of need.



Sage Together



Our Workforce Advisory Panel, Sage Together makes sure our people's views and opinions are captured across the whole business, as well as raising any matters of concern. Our findings are passed on to the Customer and People Committee and then the Board who use them in decision making. As Chair, I regularly attend Board meetings to brief them on our activities, progress and direction. I also have regular meetings outside of these with Sage Homes' Chair Alison Thain and CEO Mark Sater, keeping Sage Together at the heart of our employee-focused activity.

This year we continued our charitable fundraising with events held across 2023. Over 50 colleagues came together to join LandAid's SleepOut 2023, raising £22,000 for helping young people facing homelessness. In-house, around £16,000 was raised through charity fundraising including a Comic Relief Bake-Off, a Women's World Cup sweepstake, a Children in Need raffle and individual colleagues fundraising for causes close to their own hearts. These efforts are all match-funded by Heart of Sage.

We successfully organised two summer picnics this year, providing a chance for colleagues to come together in London and Northampton to play games, socialise and revel in some sunshine. Following very positive feedback, we are planning to run this again next year. We also worked with Heart of Sage to help colleagues take advantage of their two days' volunteering benefit. For our fifth anniversary, several colleagues supported TreesForCities' sapling planting project in west London while others supported projects helping the homeless.

We continue with our ever-popular Book Club which now has a waiting list. Members are sent a book to read each month and then come together from London, Northampton and remote working to discuss the books and build great relationships outside of their immediate working team.

Our two sub-panels focus on Wellbeing and Diversity & Inclusion and have worked hard across the year to support and produce various initiatives.

Our Wellbeing sub-committee have elected two new Co-Chairs who have brought energy and focus into the panel and are strengthening the link between colleagues working remotely and in London and Northampton. They have promoted good mental health with webinars, meditation workshops and free copies of "This Book Could Save Your Life". They continued to arrange the fruit and vegetable boxes sent to colleagues which will be moving from three boxes a year to two, in line with our previous decisions.

Our Diversity and Inclusion sub-committee has also had a busy year arranging team trips and bringing everyone together to celebrate cultural and religious events including Chinese New Year, International Women's and Men's Days, Eid, Easter, Black History Month and Rosh Hashanah. Members of the D&I committee also worked with HR to start the Chartered Management Institute Level 4 in Promoting Equality, Diversity and Inclusion qualification as well as starting to prepare for the Inclusive Employers' Standard Foundation Assessment.

As we head towards 2024, both sub-panels are working exceptionally well with the Sage Together panel to help our colleagues feel appreciated and heard in a year of change and development. The Board continues to make it clear how important Sage Together's insights are. We also see from our activities how much colleagues value the direct engagement we provide. This work will continue to grow as Sage Homes continues its development into a services-led organisation.

Trudy Quinn
Chair
Sage Together
22 May 2024

368

(2022: 304)

Colleagues working at Sage Homes
by end of 2023

327

(2022: 283)

Permanent colleagues

51% female

(2022: 53% female)

Gender diversity:
51% female and 48% male colleagues

41%

(2022: 50%)

Candidates offered roles: 59% of candidates
were white with 41% of candidates from all other
ethnic groups

Customer Scrutiny Panel



“Acting as a ‘critical friend’, the panel helps us to hear customers’ experience of our services, what works well and where we need to do better.”

Our Customer Scrutiny Panel (“CSP”) continued their vital work in 2023, contributing feedback and recommendations on documents, policies and initiatives. The panel comprises both rental and shared ownership customers who are empowered to voice their opinions clearly and honestly. Acting as a “critical friend”, they help us to hear customers’ experience of our services, what works well and where we need to do better.

This year the CSP helped shape important customer communications including annual rent increase letters, consultation letters for the change in housing management providers and an email campaign to Shared Ownership customers. They’ve also influenced our customer-focused strategies with changes made on their recommendations to the My Sage Home digital service and our Heart of Sage community grant fund processes.

The CSP has looked into several of our new initiatives, including the procurement of new repairs and maintenance providers, a community safety toolkit and a consultation on rechargeable repairs. The panel are also continuing to support the development of our community champions scheme that will launch in 2024.

The panel members stepped outside of the panel structure for the first time, leading the individual insight groups that you can read about on page 15. Their guidance and insight support other customers to give us feedback on important areas of our business, exploring new and crucial topics.

Personally, my work continues to be centred on making sure that the panel’s feedback is reported transparently to the Customer and People Committee. Together with feedback from transactional and perception surveys, this is reported to the Board, forming an important part of decision making and strategy development.

The work done by the panel is by no means small. The panel members’ influence on Sage Homes is palpable, keeping the organisation accountable and tightly bound to their mission and values.

Cedi Frederick
Chair
Customer Scrutiny Panel
22 May 2024



Risk management

The effective management of risk is fundamental to the achievement of Sage Homes’ strategic objectives.

Responsibility for risk rests with the Sage Homes Boards. Oversight of the risk management processes is provided by the Risk Management Group and Sage’s Audit and Risk Committee.

Risks to the achievement of Sage Homes’ strategic objectives are recorded in the strategic risk register which is maintained by the Head of Internal Audit and Risk. The register is reviewed and updated by the Sage Homes Risk Management Group before the key risks are reported to, and reviewed by, the Audit and Risk Committee and Board.

Sage Homes and its customers faced another challenging year in 2023, although some of the external factors driving the risks in 2022 became less significant. Inflation had reduced to 4% by the end of 2023 easing some of the cost of living pressures on Sage Homes customers. Although inflation has considerably reduced, prices are still going up, albeit at a slower rate. In addition, rent increases for the 2024/25 year are based on the September 2023 CPI figure resulting in a rent increase of 7.7% from April 2024. The rent increases for customers in 2024 will therefore be higher than those in 2023, which were capped at 7%.

There continues to be a lack of suitable rental properties available for those that require them, and this is increasing market rents. Sage Rented’s customers have affordable rent properties, and the rent is set based on 80% of the market rent. The affordability of rents may therefore be a concern for new and existing Sage Homes’ customers in 2024. The subsequent risk of increased arrears is an issue for Sage Rented and the wider housing sector.

During 2023, Sage Homes brought its housing management function in-house. Most of the housing management activities were previously undertaken by Places for People on Sage Homes’ behalf. As there is now a more direct relationship between Sage Homes and its customers there is an opportunity to reduce the risk of delays and improve service delivery.

Sage Rented’s risk management system continued to evolve and mature throughout 2023. Actions undertaken to further develop the framework for managing risk included the following:

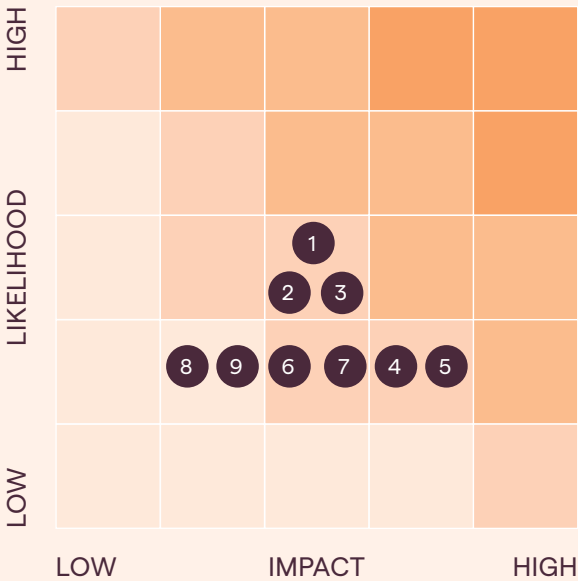
- A review of all housing management operational areas to identify the departmental risks following the transfer of responsibilities from Places for People.
- Updates to the Strategic Risk Register to reflect the new operating model, changes in the risk environments and ways of working.
- The Board undertook a horizon scanning exercise to understand the geopolitical, economic and regulatory environment that will impact on the risks facing Sage.

For 2024 a new monitoring and reporting framework is being developed to enhance the management of risk within housing operations.

KEY RISKS “HEAT MAP”

Sage Homes utilises a programmatic scoring of risks to map its mitigated risks. A “heat map” showing some of Sage Homes’ key risks is shown below. This is reported to the Risk Management Group and Audit and Risk Committee on a quarterly basis. It is also considered at Board meetings at least twice a year, and at the Board’s strategy day which has a focus on risk.

RESIDUAL RISK



LIKELIHOOD

Measured on a scale of low, which is unlikely to happen or recur within a five year period, to high, which is almost certain to happen or recur on a weekly basis.

IMPACT

Ranges from low, which would result in a financial impact of less than half a million pounds, to high, which includes a financial impact of more than £20m or an event that results in the need for regulatory intervention.

Schedule of the key risks and mitigations

Sage Rented Limited's Directors can confirm that they have carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency, or liquidity. The principal risks facing the Company have been identified as follows:

RISK	MITIGATING FACTORS
<p>1 Cost of Financing:</p> <p>Cost of debt increases to a level where Sage Rented is unable to fund its operations.</p>	<p>Up-to-date funding support letters are received at regular intervals by Sage Rented from its investors.</p> <p>There is a strong relationship with investors that is maintained through regular information flows.</p> <p>Strong treasury management function and hedging of variable portion of interest rates on the RCF and bonds.</p>
<p>2 Reduction in Income:</p> <p>Cost of living crisis caused by higher inflation results in lower income for Sage Rented as a result of rent caps imposed by government and increased bad debts / arrears.</p>	<p>Monitoring of rent arrears levels and early intervention. Payment plans agreed for customers with rent, or rent and service charge, arrears.</p> <p>Customers are assessed for affordability before renting.</p> <p>Rent cap in place during 2023 limiting the impact of the rent increases.</p> <p>Phased implementation of the service charge sinking funds to reduce its impact.</p> <p>Financial support and signposting for customers by Sage Homes' Financial Wellbeing team.</p> <p>Business plan is stress tested for the impact of increased levels of arrears.</p>
<p>3 Data Security:</p> <p>A cyber-attack results in Sage Rented being unable to use its IT systems, or access its data, or customer data is changed or released without authorisation.</p>	<p>Controls are benchmarked against the ISO27001 (2013: Information Security) standard. Sage Homes was audited and accredited against the standard in November 2022. Quarterly audits are also undertaken to check that there is continued compliance with controls.</p> <p>The Information Security Forum manages the controls over information security on behalf of the Board. The forum meets on a quarterly basis and is made up of representatives from across the business.</p> <p>Sage Homes has a disaster recovery plan in place to mitigate the impact of a major incident. An internal audit in February 2023 confirmed that appropriate IT resilience and disaster recovery processes are in place.</p>
<p>4 Contractors:</p> <p>Poor performance of key partners / contractors / suppliers resulting in a poor service to Sage Rented and its customers, negatively impacting on Sage Homes' reputation in the market.</p>	<p>Ongoing monitoring of provider's service to Sage Rented's customers. Regular communication with the provider team is maintained to identify and track issues.</p> <p>Sage Rented can appoint alternative providers if the service is not of a sufficient standard.</p> <p>Regular audit assurance on contractor performance.</p>
<p>5 People:</p> <p>Lack of access to skilled workers to effectively deliver services to customers whilst maintaining compliance with increasing regulations, during major business change programmes, as Sage Rented moves to a national operating model. Failure to instil desired culture to meet the changing resource requirements of the business as it continues to evolve into a customer-centric business, leading to an inability to maintain customer operations and deliver value for money.</p>	<p>Leadership Team ensure team structures are fit for purpose and amend as demands change, following employee consultation processes.</p> <p>HR team in place with established hiring practices, including an applicant tracking system and EVP, that support the business to hire in the right skills, experience and calibre.</p> <p>HR policies and practices in place, supporting Sage values, employee wellbeing, high performance, development and aid retention.</p> <p>Pay and benefits structures/strategies in place to reflect the external labour market, attract high calibre candidates, reward performance and aid retention.</p> <p>Biannual engagement survey and regular employee listening approach in place to monitor and respond to employee levels of engagement including the intention to leave the business within 12 months.</p>

Schedule of the key risks and mitigations continued

RISK	MITIGATING ACTIONS
<p>6 Customer Satisfaction:</p> <p>Negative customer feedback / reviews on social media. Negative reporting of Sage Homes and Sage Homes' activities in the sector press, resulting in regulatory scrutiny and potential regrading.</p>	<p>High standard of customer care, quick response to complaints.</p> <p>Customer surveys and mystery shopping with robust action to address issues identified.</p> <p>Customer service training developed and delivered to staff.</p> <p>Customer journey mapping exercise undertaken and results used to support improvements to the customer experience.</p> <p>Highly developed press monitoring and response capability.</p>
<p>7 Data Quality and Integrity:</p> <p>The data used for key management decisions is incorrect, inconsistent or out of date.</p>	<p>Controls are benchmarked against the ISO27001 (2013: Information Security) standard. Sage Homes was audited and accredited against the standard in November 2022. Quarterly audits are also undertaken to check that there is continued compliance with controls.</p> <p>The Information Security Forum manages the controls over information security on behalf of the Board. The forum meets on a quarterly basis and is made up of representatives from across the business.</p> <p>Departments across the business have responsibility for data quality. A Data Quality Forum has been created and has been tasked with improving the quality of data within the business. It handles the challenges the business has on data quality on a day-to-day basis.</p> <p>CRM is used as a standard system across Sage Homes and this has moved the business away from the use of spreadsheets and ad-hoc systems to a centralised system that draws on one source of data. This has drastically improved data quality.</p>
<p>8 Regulation:</p> <p>Non-compliance results in measures of intervention, loss of status and ultimately may prohibit Sage Rented from operating within the area of affordable housing.</p>	<p>Effective Board and governance structure in place and reviewed. Ongoing compliance monitoring and self-assessment.</p> <p>Independent advice and assurance provided by external consultants in areas such as risk management, cyber security and governance.</p>
<p>9 Health and Safety:</p> <p>Failure to meet statutory requirements, including Fire, Water, Fuel, Electrical and lift safety resulting in a risk of harm to customers and potential regulatory action.</p>	<p>Oversight through reporting of property compliance metrics to each Board. Annual review of property compliance by Internal Audit to provide assurance.</p> <p>External consultants advise on best practice. Rigorous property compliance policies and procedures in place. Compliance with legislative and regulatory requirements monitored through a dedicated compliance system.</p> <p>Regular reports received from service providers on conformity with property compliance requirements. External independent physical audits of some compliance events such as Electric, Gas and Fire to provide further assurances to Leadership and Board.</p>

Despite market challenges, in 2023 Sage Rented Limited doubled its portfolio, secured large-scale new funding and enhanced customer support. Sage Rented Limited also secured a G1* V2* grading in its inaugural In-Depth Assessment and was more active than ever in supporting its customers and their communities amidst rising living costs.



“A defining year for strategic expansion and service excellence”

REVIEW AND HIGHLIGHTS OF 2023

As the Chief Financial Officer of Sage Rented Limited, I am pleased to present the financial review for the year. This report provides a brief analysis of our financial performance, operational achievements, and the strategic initiatives that have shaped our progress. Along with insights into our financial management strategies, future outlook, and how we're staying committed to being sustainable and valuable.

In 2023 the sector faced economic challenges exacerbated by geopolitical tensions and supply issues, resulting in high inflation and increased borrowing costs, which strained the financial capacities of housing providers. Despite these difficulties, we continued to invest in existing homes to ensure we meet all quality and safety standards, and to acquire completed affordable rental homes from other registered providers within the Group.

FINANCIAL PERFORMANCE OVERVIEW

Throughout a year marked by considerable obstacles and decreased opportunities for growth, Sage Rented has shown astute operational execution and endurance leading to continued operational profits.

Although the Company continues to demonstrate operational profitability, its current debt levels, which partially finance operations, combined with elevated interest rates have led to a loss before tax. This was forecast for the year. The Company's core business remains robust and effective, and it benefits from guarantees as to financial support from its shareholders. This support ensures the Company's ability to deliver on in strategic plans and navigate through the current challenging financing environment.

The Company's operating profits dropped to £7m in the year, down by £3m from the previous year. This decline is attributed to the larger portfolio driving an increase in operating costs of £13m with turnover only increasing by £10m. As the largest affordable rent portfolio in our Group, Sage Rented now absorbs a higher proportion of the Group's overhead expenses.

As with all businesses and individual borrowers, Sage Rented saw a significant increase in interest rates and similar charges on external loans. In total, these costs increased to £32m from £20m in 2022, due to expanded debt facilities and rising interest rates. Costs were further increased with downward revaluation of our interest rate caps of £14.2m (2022: upward revaluation of £0.4m) mostly due to these caps' usage. Overall debt expansion coupled with increased interest rates led to a £26m rise in interest expense and similar charges compared to last year.

FINANCIAL PERFORMANCE OVERVIEW continued

In late September 2023, Sage Rented took a significant step by acquiring 3,499 completed affordable rental homes from its sister registered provider, Sage Housing Limited. This transfer, more than twice the volume of the two similar transfers previously undertaken, underscores our commitment to grow the Company into a large-scale operator of affordable rental homes.

To support the acquisition of these homes, Sage Rented secured a £308m bi-lateral loan from Morgan Stanley, once again demonstrating our ability to raise capital in a difficult financing environment.

In the year, we issued shares to our parent company, raising £224.6m to ensure the continuation of our operations. This capital boost has strengthened our financial position and supports our ongoing growth initiatives

Amidst rising living costs, the financial strain on Sage Rented's customers continued. In 2023, average arrears per completed home increased by £31, totalling £1.3m or 3% of the annual rent due, unchanged from the 2022 comparative. Sage Homes continues to prioritise support for our customers in high levels of need, and works with other agencies to deliver a range of support categories, from fiscal to mental health.

OPERATIONAL HIGHLIGHTS

This year marked a significant milestone for us as we received a G1* V2* grading in our inaugural In-Depth Assessment by the Regulator of Social Housing. This rating affirms our commitment to high levels of governance and our commitment to existing customers and their homes. Sage Rented aspires to a V1* grading in the future, as our portfolio of homes mature.

In a transformative move, Sage Homes has embarked on an initiative that will redefine its relationship with its affordable rental customers by assuming direct control over tenancy and building management across 2023, with virtually all of our homes being self-managed from January 2024 onwards. Having always directly served our shared ownership customers, this strategic progression aims to enhance customer service and operational efficiency by reducing reliance on external managing agents and placing Sage Homes in a direct relationship with all its customers.

This planned transition reflects Sage Homes' growth from its inception in 2017 as a start-up requiring external management, to a robust entity capable of independently delivering for our customers.

Throughout the year, our dedicated letting teams have put in tremendous effort, achieving over 231 lettings in 2023 and Sage Rented Limited maintaining high occupancy in the year with 99% homes let at year end. This performance has afforded the Company a solid financial foundation throughout the year.

Sage Homes continued to invest heavily in its information technology capabilities, especially in areas that improve customer experience and our operational efficiency. In 2023, milestones included:

- Implementation of a sector-leading self-service customer portal, including new payments capabilities, and live chat functions
- A new call centre telephony system, integrated into our CRM platform
- Numerous CRM platform enhancements focused on customer service quality and efficiency, and supporting our self-management of homes.

FUNDING AND CAPITAL MARKETS

In 2023, Sage Homes navigated a landscape significantly altered by fluctuations in capital market conditions from prior years. Throughout 2023, the Bank of England progressively raised its base borrowing rate from 3.5% to 5.25% by year end. This increase led to a significant rise in interest expenses. Sage Rented actively pursued strategies to contain the impact of these increases, notably through the purchase of interest rate caps.

Despite these challenging financial conditions, Sage Rented continued to demonstrate its ability to raise new capital. In September 2023 we successfully negotiated a bi-lateral loan for £308m from Morgan Stanley. This was used to part-finance the purchase of the 3,499 completed affordable rental homes from Sage Housing Limited. The loan has a three-year term, with an option of extending by a further two years. As usual, Sage Rented ensured this facility was suitably protected by interest rate caps.

The shareholders continued to demonstrate their commitment to funding Sage Rented's long-term operations with an equity injection of £224.6m in the year.

FUTURE

Since 2020, Sage Rented has grown from a 'start up' to owning 6,820 newly built, high quality and energy efficient affordable rental homes that are now managed by Sage Homes. With the prospect of growing further in 2024 and beyond, we look forward to these future opportunities and will continue to place the customer at the centre of all we do.

John Goodey
Chief Financial Officer
 22 May 2024

Value for Money

INTRODUCTION

Sage Rented continues to focus on achieving value for money (VFM) and delivering its services in an efficient and effective way to make the most of the rental income it receives. As part of our compliance with the Value for Money Standard, we focus on achieving economy, efficiency and effectiveness across all areas of activity. We are committed to increasing the number of high-quality affordable homes in England and to providing the highest level of service to our residents, and this is central to our application of value for money strategies.

Sage Rented became operational in October 2020 and over the following two years acquired a portfolio of 3,321 affordable rental homes from Sage Housing Limited, another Registered Provider within the Sage Homes Group. In September 2023, Sage Rented Limited acquired a further portfolio of 3,499 affordable rental homes from Sage Housing Limited. Our strategy includes the periodic acquisition of completed affordable rental homes from Registered Providers within the Sage Homes Group and the rapid growth in our portfolio does impact our metrics when comparing against other providers in the sector who have less growth but more stable and mature portfolios of affordable rental homes. As the volume and proportionate impact of new acquisitions reduces over time, we anticipate our performance to become more directly comparable with sector peers as a result.

Given a year end portfolio of 6,820 affordable rental homes, the Board considers that the performance of Sage Rented should be assessed against a peer group consisting of all Registered Providers in England with portfolios between 5,000 and 10,000 homes. Sage Rented's Board has set targets for 2024 covering both the Regulator of Social Housing VFM metrics and its own

VFM metrics (Key Performance Indicators). These targets are set based on the currently owned and managed portfolio, although depending on market conditions changes may occur for operational and financing requirements and this may result in our targets needing to be revised.

OVERVIEW

The Regulator of Social Housing defines the VFM metrics that Registered Providers are required to disclose.

Metrics 1 to 3 focus on investment and reflect our investment in new and improving existing affordable homes, while ensuring our borrowing is kept at prudent levels. These help to show our levels of efficiency and effectiveness. Metrics 4 to 7 focus on our operational efficiency in managing our portfolio as expressed through our financial performance, the return on the capital we utilise and our liquidity and investment capacity.

METRIC 1 – REINVESTMENT (%)

This metric looks at the fixed asset investment in properties (existing as well as new supply) as a percentage of the value of total properties held and disregards transfers from other Registered Providers within the Sage Group. The 2023 target included the effect of homes expected to be purchased from Sage Housing Limited and while 3,499 homes were purchased in 2023, as per the disclosure guidance, they are not included in this metric. Including these purchases would have resulted in a 56 % reinvestment outcome.

Core value for money metrics		2024 Target	2023 Actual	2023 Target	2023 Peers	2022 Actual
1	Reinvestment %	Nil	0.0%	38%	7.5%	Nil
2A	New supply delivered % (social housing)	Nil	0.0%	37%	1.4%	Nil
2B	New supply delivered % (non-social housing)	n/a	n/a	n/a	n/a	n/a
3	Gearing %	93%	94%	144%	50%	125%
4	EBITDA MRI – interest cover %	58%	31%	49%	128%	68%
5	Headline social housing cost per unit	£3,293	£2,324	£3,570	£4,389	£3,066
6A	Operating margin (social housing lettings only)	42%	37%	39%	21%	42%
6B	Operating margin (overall)	40%	18%	39%	20%	34%
7	Return on capital employed (ROCE)	2.3%	0.6%	2.6%	2.9%	1.8%

OVERVIEW continued

METRIC 2 – NEW SUPPLY DELIVERED (%)

This metric considers the number of new homes developed in the year as a proportion of the total units owned at year end and disregards purchase of homes from other Registered Providers within the Sage Homes Group.

Social housing units: As part of the rental homes purchase from Sage Housing Limited there was a single unit that was transferred in development and completed in Sage Rented. The 2023 target included transfers from other Registered Providers within the Sage Group. These transfers occurred although, as per the guidance, are not included in this metric. Including the purchases made would have resulted in a 52% supply delivered metric.

Non-social housing units: Our sole focus is on delivering affordable homes. We have not acquired or developed any non-social housing units in 2023 and do not hold any non-social housing units at year end.

METRIC 3 – GEARING (%)

Sage Rented's gearing in 2023 was lower than our target as the affordable rental properties purchased from Sage Housing Limited utilised a loan at lower leverage levels than budgeted. Sage Rented ensures its debt and gearing levels are appropriate to protect our financial viability and balance with the benefits of debt in reducing our overall cost of capital, thereby allowing us to undertake more investment in affordable housing. We also ensure that the levels, interest costs and covenant requirements of such debt do not put the business at excessive financial viability risk. We anticipate our 2024 gearing to be in line with that seen in 2023.

METRIC 4 – EBITDA MRI – INTEREST COVER (%)

This measure is a key indicator of liquidity and investment capacity. It seeks to measure the level of surplus that a Registered Provider generates compared to interest payable. In 2023, EBITDA MRI - Interest cover was 31% (2022: 68%) which was below the target due to a revised allocation methodology for non-direct costs charged to Sage Rented Limited for activities undertaken by Sage Homes' management company and recharged to the Group's Registered Providers. The increased target for 2024 is driven by growth in net operating profits, which more than offsets the rise in interest expenses on a larger portfolio of homes.

METRIC 5 – HEADLINE SOCIAL HOUSING COST PER UNIT (£)

The unit cost metric assesses the headline social housing cost per unit (CPU) as defined by the Regulator. The 2023 cost per unit was impacted by the in-year transfer of 3,499 homes from Sage Housing Limited late in the third quarter. This resulted in costs allocated by unit across the year against the end of year number of homes held, thus reducing the metric. We anticipate additional operational efficiencies to be realised throughout 2024 as housing management services are now delivered by Sage Homes directly.

METRIC 6A – OPERATING MARGIN – SOCIAL HOUSING LETTINGS (%) AND,

METRIC 6B – OPERATING MARGIN – OVERALL (%)

The actuals were behind the targets across both measures owing to a revised allocation methodology for non-direct costs, as detailed above. 2024 margin targets expect a slight improvement due to increased numbers of tenanted homes and the efficiencies gained by Sage Homes managing its homes directly, and these compare favourably to the industry benchmark.

METRIC 7 – RETURN ON CAPITAL EMPLOYED (%)

This metric compares the operating surplus to total assets less current liabilities and is a common measure used in the commercial sector to assess the efficient investment of capital resources. In 2023, the 0.6% return on capital employed (ROCE) was lower than the target owing to the acquisition of rental units from Sage Housing Limited towards the end of the year and the revised allocation methodology for non-direct costs across the year. For 2024, the full year impact of the increased numbers of homes in the portfolio, along with the benefits from internalised management services, are expected to lead to increased returns.

ADDITIONAL KEY PERFORMANCE INDICATORS

In addition to the core Value for Money metrics, the Sage Homes Board has set key performance indicators to measure specific areas of strategic and operational performance to give a more rounded view of Sage Rented's performance. These metrics are the key drivers of our business which is solely the management of affordable rental homes.

CUSTOMER EXPERIENCE

Customer satisfaction with our service measures the number of customers who have stated they are fairly or very satisfied with their interaction with Sage Rented. During the year, housing management services for 92% of Sage Rented's customers were provided by Places for People, with the remaining being managed by Sage Homes and other 3rd Party providers. The transfer of housing management services to Sage Homes through late 2023 and into early 2024 is expected to positively impact the satisfaction scores. Our targets for 2024 reflect our aspirations to make improvements in this area and this is incorporated into our plans.

OPERATIONAL EFFICIENCY

By focusing on and supporting our customers, Sage Rented made real progress in 2023 on rent collection and arrears despite the wider context of high inflation and cost of living pressures. We achieved 100% rental collection during the year and reduced the number of customers in arrears, including improving arrears by 0.3% in the last quarter of 2023 despite the expected seasonal impact and the first transition of customer management from Places for People to Sage Homes. Sage Homes' Financial Wellbeing team looks to help customers sustain their tenancies by providing access to support and information to help them manage their budget and access benefits and support to which they are entitled. Our 2024 targets are shaped by a cautious stance towards the broader economic climate, with persistent high inflation and rising living costs, and the expected effect on our customers. Sage Rented Limited will continue to focus on arrears and income recovery, ensuring our processes are robust and effective.

Key performance indicator	2024 Target	2023 Actual	2023 Target	2023 Peers	2022 Actual
Customer experience					
Customer satisfaction with the service	80%	71%	79%	78%	77%
Complaints responded to within target time	90%	67%	90%	80%	86%
Operational efficiency					
Headline cost per unit – adjusted (per annum)	£3,182	£2,048	£2,929	n/a	£2,743
Rent collected as % of rent due	99%	100%	94%	99%	94%
Current tenant arrears as % of annual rent due	4.8%	4.2%	9.3%	3.0%	5.8%
Our people					
Employee satisfaction	80%	79%	80%	81%	79%

SAGE HOMES' PEOPLE

At Sage Homes, we prioritise a culture of inclusivity and people-first approach, where the importance of our teams is recognised. In 2023, Sage Homes gathered valuable feedback through its employee engagement surveys which have informed decisions to deliver enhancements to our culture. Our target for 2024 remains broadly unchanged from 2023 as we look to maintain employee satisfaction while the business continues to grow.

CONCLUSION

The Board is satisfied that, having considered all the requirements, Sage Rented Limited is compliant with the VFM Standard.

Our engagement with our stakeholders

This section explains how Sage Rented's Directors have considered the interests of key stakeholders and broader matters set out in Section 172(1) (A) to (F) of the Companies Act 2006 when performing their duty to promote the success of the Company under that section of the Act.

(A) THE LIKELY CONSEQUENCES OF ANY DECISION IN THE LONG TERM

In addition to preparing a five-year corporate plan and related budget, we also prepare a 30-year long-term strategy which is stress-tested against severe-but-plausible scenarios to ensure that it is robust. Underlying that is the work of the Board in ensuring strong, long-term personal relationships with our customers and other stakeholders, based on the quality of our properties and to ensure they are highly satisfied with the service we provide.

(B) THE INTERESTS OF EMPLOYEES

We value the contribution of our people and have a fundamental belief in them and their desire and capacity to do a good job. We know their individual actions and behaviours help build a successful business to provide customer satisfaction, which is crucial to the success of Sage Homes. Colleagues are encouraged and supported to develop their careers, which further strengthens Sage Homes' culture and effectiveness. The Customer and People Committee helps to make sure Sage Homes provides a fulfilling workplace. The Workforce Advisory Panel "Sage Together", discusses the way Sage Homes colleagues interact with the business and ensures staff feel heard. "Sage Together" also helps make sure the workforce's viewpoint is understood and considered by the Board in its decision-making process and the Chair of the panel regularly attends Board meetings. Further details of the work of the "Sage Together" advisory panel can be found on page 20.

Sage Homes conducts an annual employee engagement survey and in addition, a pulse survey was carried out in 2023 to assist with the tracking and monitoring of specific employee experience actions. The surveys help gather evidence on the employee experience against a number of categories, providing themes and areas of focus for the business. The Customer and People Committee and the Board are briefed on the results of the surveys and an action plan is agreed to address the key findings. The results provide an opportunity to consider the overall employee experience and culture at Sage Homes.

There is a system through which whistleblowing concerns can be anonymously reported which supports colleagues by making sure they can raise concerns in a confidential and safe way.

(C) THE NEED TO FOSTER BUSINESS RELATIONSHIPS WITH SUPPLIERS, CUSTOMERS AND OTHERS

Sage Rented puts its customers at the heart of its business and the customer experience is central to Sage Homes' values. Long-term success is only possible with a customer-centric business model and therefore the customer outcome forms a core part of Board deliberations. The customer transactional surveys and perception survey results, which includes the questions for the Tenant Satisfaction Measures and gathers feedback about the customer's overall experience with Sage Homes, are reviewed annually. Findings across the two types of surveys are analysed and used to form Sage Homes' customer service strategy which is designed to improve the customer experience. This includes reviewing complaints statistics and customer satisfaction trends which help develop and improve the customer experience and meet their evolving expectations.

The Customer Scrutiny Panel comprises of Sage Homes customers and gathers the lived experiences of Sage Homes' customers and is designed to provide Sage Rented details on successes and areas requiring improvement. Further information about the work of the panel may be found on page 22.

**(C) THE NEED TO FOSTER
BUSINESS RELATIONSHIPS
WITH SUPPLIERS, CUSTOMERS
AND OTHERS** continued

Sage Rented liaises on a range of issues with our suppliers to minimise any risks to Sage Rented and also to embed best practice in a number of areas throughout our supply chain. Supporting and engaging with our suppliers makes sure Sage Homes is in a position to receive the best possible outcomes for customers. It also gives our suppliers an opportunity to demonstrate that, in addition to providing the service, they also meet our expectations in terms of corporate, social and environmental areas.

Sage Homes maintains a strong business relationship with housebuilders, local authorities and other key stakeholders such as Homes England. We are open and honest in our dealings, giving our commitment and adhering to it. We work to be a trusted partner of choice for all our stakeholders and their views are taken into account by the Board. In 2023, representatives from Homes England and housebuilder Vistry gave presentations at the Board's strategy day to help inform their decision-making.

With a dedicated procurement team, Sage Homes engages with suppliers as part of the onboarding process. As part of the ongoing monitoring of key suppliers, this department undertakes general due diligence regarding the financial soundness and credibility of suppliers. Our suppliers have been able to continue to provide us and our customers with the contracted services throughout the year, and we continue our regular discussions with them.

As stated in Sage Rented's Modern Slavery Act statement we have processes in place to make sure that modern slavery or human trafficking do not occur in our supply chain or operations. This is supported by our supplier code of conduct, our code of ethics, which sets out our commitment to conducting itself fairly, honestly and lawfully, procurement policy and mandatory annual training completed by all employees. The Board has a zero tolerance attitude towards modern slavery in our supply chain and reviews and approves the Modern Slavery Statement which is published on the Sage Homes' website.

**(D) THE IMPACT OF THE
COMPANY'S OPERATIONS
ON THE COMMUNITY
AND ENVIRONMENT**

Our Environmental, Social and Governance commitment was a key focus in 2023. Sage Homes' credentials mean that the Group has been able to raise funds through Europe's first ever social bond. The Board considers ESG matters in all its decision-making and further details of our ESG activities and initiatives may be found on pages 17 to 22.

**(E) THE DESIRABILITY OF
THE COMPANY MAINTAINING
A REPUTATION FOR
HIGH STANDARDS OF
BUSINESS CONDUCT**

The Board periodically reviews and approves policies, such as the Sage Rented's Code of Conduct, anti-fraud and anti-money laundering policies, and Sage Rented's Modern Slavery Statement, to make sure that its high standards are maintained both within the organisation and in our business relationships. We make sure workforce training on these matters is kept up to date. The Board monitors Sage Homes' culture to make sure our values are fully embedded into organisational behaviours.

**(F) THE NEED TO ACT FAIRLY
AS BETWEEN MEMBERS
OF THE COMPANY**

Sage Rented is a single-member company and our investors have appointed Directors who participate in Board meetings. Each Sage Homes Registered Provider has a separate Board with common Directors.

THE STRATEGIC REPORT

This Strategic report was approved by the Board of Directors on 22 May 2024 and signed on its behalf by

Bridget Frisby
Company Secretary

Governance



A sound corporate governance framework provides the structure to enable the Board and the Company to operate in an effective and entrepreneurial way for the benefit of its customers, workforce, investors and other stakeholders.

Embedding good governance into our culture



On behalf of the Board, I am pleased to present the governance report, which describes the key areas considered by the Board and its Committees in 2023 and how those responsibilities were discharged. Throughout the year the Board has continued to support the executive management team whilst enhancing the high standards of corporate governance essential to effective Board oversight and vital to a successful organisation.

Sage Homes was established to create a long-term affordable homes platform which would deliver a meaningful quantity of high-quality, newly built, energy-efficient, affordable housing and provide excellent service to its customers, who make these properties their homes.

We believe Sage Homes acts as a force for good; our purpose is to provide homes, inspire change and improve lives. By bringing new high-quality investment funds into the sector, we are making a significant contribution to the mitigation of the housing affordability crisis and, by doing so, helping to improve our customers' lives.

We have brought a fresh, entrepreneurial spirit to the affordable homes sector and, consistent with Sage Homes' purpose and its values, we are committed to operating to the highest standards of corporate governance. Our investors, customers and all our stakeholders can be sure that Sage is building its growth, activities and future plans on firm foundations of good governance.

As Sage Rented is a for-profit organisation, we have decided to adopt, wherever practical for a private company, the UK Corporate Governance Code 2018 (the Code), which is the highest standard of corporate governance in the UK, as it is intended primarily for premium London Stock Exchange listed companies. In adopting the Code, we have established internal governance processes which reflect best practice in business today.

In addition, Sage Rented is a Registered Provider and must comply with the stringent governance provisions overseen by the Regulator of Social Housing. We aim for the highest level of compliance with the Regulator's Standards.

Ultimate accountability for the governance of our organisation lies with our Board of Directors which liaises closely with Sage Rented's parent and investors. The Board consists of individuals of recognised stature with abundant business skills, relevant experience and knowledge of the housing sector.

The Board is supported by the Audit and Risk Committee and the Remuneration and Nomination Committee, as set out in the Code. In addition, it has a Customer and People Committee and Acquisitions Approval Committee. Underpinning the governance framework are our robust internal controls and risk management processes.

In 2023, Sage Rented continued to strengthen our corporate governance framework in accordance with the Code. The Board will continue to focus on building superior customer service and a culture that inspires our workforce.

The Board remains mindful of the need to ensure our governance keeps pace with the growth and increasing complexity of the organisation and its operations. We will continue to develop governance structures and processes and to embed a focus on good governance into our culture as a reflection of our values.

Alison Thain OBE
Chair
22 May 2024

Directors

An experienced team



Alison Thain OBE
Chair



Alison joined the Board in 2018. Alison was CEO of the largest Housing Association in North-East England. An experienced non-executive director, she is currently also Senior Independent Governor of the University of Sunderland and a Trustee of the Bowes Museum. Her previous positions have included Directorships of a Trust Port, of a Regional Building Society and a Regional Development Agency. She was awarded the OBE for services to housing, and has just recently won Non-Executive Director of the Year Award in the Private Equity category at the Sunday Times NED Awards 2024.



John Brace
Independent Non-Executive Director (Senior Independent Director)



John is a non-executive director with over 30 years' experience in the social housing sector. John joined the board in 2018. He is a Chartered Accountant and former Finance Director with a commercial background in both executive and non-executive roles and extensive social housing experience. He is a non-executive director of Silbury Housing Limited and Silbury Housing Holdings Limited. His former roles include Chair of Cottsway Housing. John was appointed Senior Independent Director in 2021.



Cedi Frederick
Independent Non-Executive Director



Cedi has a varied background in housing, social care and health. He joined Sage Homes in June 2021 bringing his broad range of experience to the Sage Homes Board. Cedi has over 35 years of experience as a non-executive director across many sectors including housing, higher education, charities and the NHS. He is currently Chair of the Boards of NHS Kent and Medway and The Health and Europe Centre. Cedi is iNED of Impact REIT. He Chairs Sage's Customer Scrutiny Panel.

COMMITTEE KEY



Audit and Risk



Remuneration and Nomination



Customer and People



Acquisitions Approval



Customer Scrutiny Panel



Committee Chair

**David Godden****Independent Non-Executive Director**

David joined the Board in 2019, offering over 35 years of operational and board level experience. David sits on the Estates Advisory Committee of the Imperial War Museum. Until recently he was also a non-executive director of NHS Property Services Limited, where he chaired the Facilities Management Committee. He previously held senior executive roles in property management and customer services with Telereal Trillium, Land Securities and BAE Systems in the UK and overseas.

**Gemma Katakya****Non-Executive Director**

Gemma was involved in the inception of Sage Homes and joined the Board as a non-executive director in 2018. Gemma has over 16 years' experience in private equity and is currently a Managing Director at Blackstone within the European real estate group. Gemma has expertise in finance, asset management and real estate and also sits on the board of other companies including the charitable foundation, LandAid.

**Gareth Llewellyn****Independent Non-Executive Director**

Gareth joined the Board in 2021. Gareth has held global executive roles including with Anglo American plc. He was Executive Director at Network Rail, and as a non-executive director floated Biffa plc and sold it to private equity. Gareth is Chair of Transport Infrastructure Ireland, and was also Chair of Scottish Rail Holdings Ltd. He is a Fellow at the Prince of Wales Cambridge Institute for Sustainability Leadership, and in 2005 addressed the UN General Assembly on human rights and business.

Directors continued



Cindy Rampersaud
Independent Non-Executive Director



Cindy joined the Board in 2021. A Chartered Accountant, Cindy has over 25 years of executive experience in the B2B and B2C space across the education and entertainment media sectors, most recently at Pearson where she ran the BTEC and Apprenticeship business. Cindy is Deputy Chair at the UK Health Security Agency, a Non-Executive Director at Which? and Hipgnosis Song Fund.



Sydney Taylor
Non-Executive Director

Sydney has 30 years' experience in real estate, private equity, banking and fund management. He joined the Board in 2017. He has worked within a variety of blue chip listed, private and start-up organisations both in the UK and globally, including ING Real Estate, Land Securities Trillium, Goldman Sachs, and Alpha Real Capital. He is a Fellow of the Association of Chartered Certified Accountants (FCCA) and until recently served as non-executive director on the boards of three Brockton Capital Real Estate Funds.



Mark Sater
Chief Executive Officer, Executive Director



Mark joined Sage Homes in 2020, having previously been an adviser to Regis Group, and was appointed as an Executive Director in July 2021. Mark has led organisational transformation and growth across a range of sectors and geographies. His career includes two decades in consumer goods and retail, and one decade in regulated medical devices. His significant management and board level experience has included roles as Chief Executive Officer, AccuMED Corp LLC, Chairman of Amoena Medizin-Orthopadie-Technik GmbH and Managing Director of Overland Group Ltd. He is a Chartered Accountant by training.

Leadership Team

John Goodey **Chief Financial Officer**

John joined Sage Homes as Chief Financial Officer in September 2019. Prior to joining Sage Homes, John was CFO of Welltower Inc (NYSE: WELL), the world's largest healthcare REIT. Prior to becoming CFO, John led Welltower's international operations. Prior to Welltower, John spent 18 years as an investment banker at Deutsche Bank and Barclays Capital, holding senior level roles in healthcare investment banking and M&A advisory.

Iain McPherson **Chief Operating Officer**

Iain has broad experience across the housing sector, covering affordable housing and large-scale residential development. He is currently a Non-Executive Director of Town & Country Housing and Monson Homes Ltd, part of the Peabody Group, and was previously Chief Executive of Countryside Partnerships plc. During his time at Countryside, Iain implemented a programme of restructuring to enable the Group to double in size and home completions over four years. His other former roles include senior positions at housing association Hyde Group and Crest Nicholson.

Lucian Smithers **Chief Customer Officer**

Lucian joined Sage Homes in April 2021 as Chief Customer Officer. Lucian is responsible for the delivery of the customer experience, marketing, communications and ESG. Prior to joining Sage Homes, Lucian helped to build the innovative affordable housing company Pocket Living from start-up to its sale to Related Companies. Previously Lucian held a range of roles at Sky TV across brand and corporate culture, marketing and latterly as Sales and Marketing Director for all Sky and partner content.

Bridget Frisby **Chief Legal Officer**

Prior to joining Sage Homes, Bridget worked as a corporate and governance lawyer for ten years in large city practices. She advised real estate companies, including Registered Providers, on a diverse range of governance and corporate issues, including mergers and acquisitions. Bridget acted for Sage Homes whilst she was in private practice since 2016 and joined Sage Homes permanently as Head of Legal and Company Secretary in January 2018.

Ben Aspinall **Managing Director, National Acquisitions**

Ben joined Sage Homes in January 2018, having previously worked at the Regis Group in acquisitions. Ben leads the Acquisitions Team at Sage Homes and during his time has been involved in acquiring over 15,000 units. Ben drives the overall acquisition strategy at Sage Homes and is the key contact with all housebuilders.

Teresa Hickman **HR Director**

Teresa joined Sage Homes in October 2021, having previously worked within both commercial and regulatory sectors. Teresa leads the Human Resources Team at Sage Homes with responsibility for operational and specialist teams, including recruitment, talent, HR policy, reward and recognition. She is a Fellow of Chartered Institute of Personnel and Development (FCIPD).

Governance structure summary

THE BOARD

ROLE AND RESPONSIBILITIES

The governing body of Sage Homes, which leads the organisation through a framework of prudent and effective controls. It sets Sage Homes's strategy and is collectively responsible for the long-term success of Sage Homes in line with its purpose and constitutional documents. The Board holds the executive management to account for the delivery of the Corporate Plan. The Board keeps in mind the requirements of all its stakeholders, in particular its customers, workforce and investors.

CHAIR

ROLE AND RESPONSIBILITIES

Leads and manages the Board and is responsible for its overall effectiveness. Sets the agenda, style and tone of discussions and promotes open debate and effective decision making. Ensures that the Board delegates sufficient authority to its Committees as well as to the Chief Executive Officer and their Leadership Team to manage the day-to-day effectiveness of the organisation.

BOARD COMMITTEES

ROLE AND RESPONSIBILITIES

The Board delegates certain responsibilities to these Committees. The Committees help ensure Sage Homes meets best practice by providing increased capacity to focus on key areas of governance. The members are Non-Executive Directors.

AUDIT AND RISK COMMITTEE

ROLE AND RESPONSIBILITIES

Monitors the integrity of the Group's financial statements and reviews significant accounting and reporting judgements. Monitors the effectiveness of the organisation's internal control framework and internal audit department. Oversees the relationship with, and work of, the external auditors. Advises the Board on risk appetite, tolerance and strategy. Oversees the organisation's identification and management of risk.

➤ See pages 49 to 52.

REMUNERATION AND NOMINATION COMMITTEE

ROLE AND RESPONSIBILITIES

Determines the remuneration of the Chair, the Chief Executive, the Executive Directors, and the Leadership Team. Determines the structure, size and composition of the Board. When required, oversees Board recruitment, taking into account the challenges and opportunities facing the organisation, and the skills, knowledge, experience and diversity needed on the Board in the future.

➤ See pages 53 to 57.

PANELS

ROLE AND RESPONSIBILITIES

Allow direct engagement with Sage Homes' customers and workforce so that the Customer and People Committee can obtain feedback and communicate directly with these two key stakeholder groups.

SAGE TOGETHER

ROLE AND RESPONSIBILITIES

A Workforce Advisory Panel under the Code. Established as part of Sage Homes' commitment to hearing the voice of the workforce to create a collaborative and inclusive culture. Has sub-panels focused on Wellbeing and on Diversity and Inclusivity. Reports to the Customer and People Committee and its Chair regularly attends Board meetings.

➤ See page 20.

SENIOR INDEPENDENT DIRECTOR

ROLE AND RESPONSIBILITIES

One of the Independent Non-Executive Directors. Provides a sounding board for the Chair and appraises the performance of the Chair in the Board evaluation process. Holds meetings with the other Independent Non-Executive Directors. Acts as an intermediary for other Directors if needed. Deputises for the Chair if necessary.

NON-EXECUTIVE DIRECTORS

ROLE AND RESPONSIBILITIES

Contributes to the development of the organisation's strategy. Scrutinises and constructively challenges the performance of management in the execution of strategy. Advise and contribute to Board debate based on their broad business experience, professional skills and knowledge of the housing sector. The majority of Non-Executives are independent as defined by the Code and two are appointed by the parent company.

CUSTOMER AND PEOPLE COMMITTEE

ROLE AND RESPONSIBILITIES

Provides assurance, recommendations and advice to the Board on Customer and People issues. Ensures the 'voice' of Sage Homes' customers and the views of Sage Homes' workforce are clearly captured and fully considered by the Board. Makes sure customer and workforce priorities are recognised and understood by the Board and considered in its strategic decision making.

➤ See pages 58 and 59.

ACQUISITIONS APPROVAL COMMITTEE

ROLE AND RESPONSIBILITIES

Has powers delegated to it by the Board to review, assess, and approve acquisitions subject to an investment framework agreed by the Board from time to time, taking into account changes in the sector and in the wider economy. In order to respond rapidly to acquisition opportunities, the Committee generally meets each month.

➤ See pages 60 and 61.

LEADERSHIP TEAM

ROLE AND RESPONSIBILITIES

The executive management of the organisation responsible for the implementation of the strategic Corporate Plan. In charge of the effective day-to-day management of the business and leadership of the workforce.

CHIEF EXECUTIVE OFFICER

ROLE AND RESPONSIBILITIES

An Executive Board Director. Leads the Executive Team and is accountable for the Group's performance, consistent with the purpose, strategic plan and risk appetite agreed by the Board. Works to ensure Sage Homes' corporate culture and values are embedded in the organisation. Ensures that the flow of information to the Board is accurate, timely and clear. Develops and maintains effective management systems and internal controls.

CHIEF FINANCIAL OFFICER

CHIEF CUSTOMER OFFICER

CHIEF OPERATING OFFICER

COMPANY SECRETARY & CHIEF LEGAL OFFICER

HR DIRECTOR

MANAGING DIRECTOR, NATIONAL ACQUISITIONS

CUSTOMER SCRUTINY PANEL

ROLE AND RESPONSIBILITIES

A customer panel made up of both rented and shared ownership customers. Chaired by a Director who is a member of the Customer and People Committee. Aims to help Sage Homes listen to and understand what customers have liked or disliked about obtaining and living in a Sage home.

➤ See page 22.

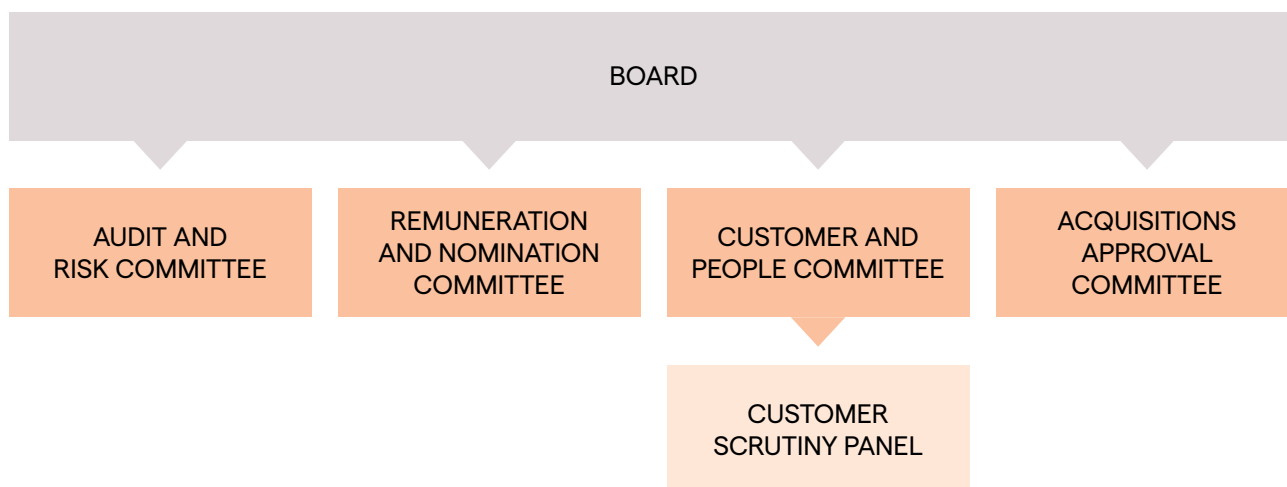
Good governance is of fundamental importance in achieving the Company's corporate purpose

GOVERNANCE FRAMEWORK

The Board of Sage Rented understands that good governance is of fundamental importance in achieving Sage Homes' corporate purpose. A sound corporate governance framework provides the structure to enable the Board and Sage Homes to operate in an effective and entrepreneurial way for the benefit of its investors, customers and other stakeholders.

Sage Rented operates through the main Board and a small number of committees. The Board has established the Audit and Risk, Remuneration and Nominations, Customer and People and Acquisitions Approval Committees and details of their main responsibilities and activities in 2023 are set out on pages 49 to 61. The below illustrates the Board and Committee structure as at 31 December 2023:

The Chair and the Chief Executive Officer maintain a close working relationship to ensure the integrity of the Board's decision-making process and the successful delivery of Sage Homes' strategy. The Board evaluates the membership of its individual Board committees on an annual basis and the Board committees are governed by terms of reference which detail the matters delegated to each committee and for which they have authority to make decisions. The terms of reference for the Board and the Committees can be found on Sage Homes' website.



COMPLIANCE WITH THE UK CORPORATE GOVERNANCE CODE 2018 (THE CODE)

Sage Rented has adopted the Code which operates on a 'comply or explain' basis. Certain provisions of the Code are designed to apply to companies with a listed shareholder base and during 2023 Sage Homes did not comply with those provisions:

- **Provision 4:** Actions to be taken regarding votes cast against AGM resolutions

This provision is not applicable as Sage Rented is a private company with one shareholder and has decided not to hold an AGM.

- **Provision 15:** Additional external appointments should not be undertaken without the prior knowledge of the Board

As appropriate for the Directors of a private company, new external appointments are undertaken with the approval of the Chair and ratified at the next meeting of the Board.

- **Provision 18:** All Directors should be subject to annual re-election

This is not appropriate for a single-member private company. Directors are appointed for terms of office of up to three years, and may serve further terms of office up to a maximum total of nine years. Sage Rented's parent retains the ability to appoint or remove any Director.

- **Provision 36:** Director share schemes

This is not applicable to Sage Rented as a single-member private company.

Subject to those explanations, Sage Rented was compliant with the Code during 2023.

“The Board has set clear agreed goals and ... effectively monitors the performance and the delivery of these goals.”

RSH STANDARDS

During the year, Sage Homes underwent an In-Depth Assessment (IDA) by the Regulator of Social Housing (“RSH”) and was judged as reaching the highest G1 standard for governance and the second highest V2 standard for viability. This means that Sage Rented meets the RSH’s governance requirements. It also meets the viability requirements, and has the financial capacity to deal with a reasonable range of adverse scenarios, but needs to manage material risks to ensure continued compliance. Accordingly, the Board can confirm that Sage Homes has complied with the Governance and Viability Standard.

The Board has also concluded that Sage Rented has complied with all other relevant economic and consumer standards as set out by the RSH during the 2023 financial year.

AN EFFECTIVE BOARD

Sage Rented’s Board consists of six independent non-executive directors, two investor directors, and the Chief Executive Officer, and is responsible for overseeing Sage Homes’ activities. In particular, the Board is responsible for establishing Sage Homes’ purpose, values and strategy, and satisfying itself that these and its culture are aligned. The Board is required to ensure that the necessary resources are in place for Sage Homes to meet its objectives and measure performance against them. All directors must act with integrity, lead by example and promote Sage Homes’ culture. Non-executive directors are required to allow sufficient time to meet their Board responsibilities and provide constructive challenge, strategic guidance, offer specialist advice and hold management to account.

The Board is the governing body of the organisation and is collectively responsible for the success of the business. It provides leadership to the organisation and has established a framework of prudent and effective controls that enable risk to be assessed and managed.

In 2023 the Board comprised:

- Alison Thain OBE, Chair;
- John Brace, Senior Independent Non-Executive Director;
- Cedi Frederick, Independent Non-Executive Director;
- David Godden, Independent Non-Executive Director;
- Gemma Katakya, Non-Executive Director;
- Gareth Llewellyn, Independent Non-Executive Director;
- Cindy Rampersaud, Independent Non-Executive Director;
- Sydney Taylor, Non-Executive Director and,
- Mark Sater, Chief Executive Officer.

At least half the Board are Non-Executive Directors whom the Board considers independent. There were no changes to the membership of the Board during the year.

Alison Thain OBE is Chair of the Board and was independent upon appointment. She is responsible for leading the Board and ensuring its effectiveness in a culture of openness and accountability. Her role includes setting relevant agendas and making sure timely, accurate, high-quality and clear information has been provided to the Board. She ensures that there has been rigorous debate at meetings, with contributions from all directors, followed by effective decision making.

DECISION MAKING

A clear division of responsibilities is in place at the head of the organisation. The Chair is responsible for the smooth running of the Board and the Chief Executive Officer is responsible for the day-to-day management of the business and the building of an effective executive management team to deliver the objectives of the organisation. The specifications of the roles and responsibilities of the Chair, Chief Executive Officer and Senior Independent Director are available on Sage Homes’ website.

The Board operates within a schedule of matters reserved for its decision. The Board has delegated certain activities to formal committees which operate within defined terms of reference. The Board and its committees have a timetable of work to ensure all these matters are considered as well as additional issues that arise during the year. The Board is provided with good quality papers as a base for sound decision making and undertakes a robust discussion and challenge of matters brought to it for decision. Detailed minutes summarise the debate and record the decisions made at each meeting.

The Board has established procedures to ensure that the disclosure and management of any actual or potential conflicts of interest are carried out correctly.

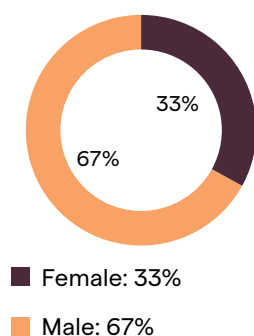
The biographical details of the Directors of Sage Rented are shown on pages 36 to 38.

DIVERSITY AND INCLUSION

At Sage Homes, we firmly believe that having an inclusive and diverse workplace will support us in our ambitions to outperform the markets in our chosen areas of business. The Remuneration and Nomination Committee continually reviews our approach to diversity and our aim is to promote diversity in the hiring of new employees and in creating opportunities for individuals to progress their career within Sage. Further details are included in the report from the committee on pages 53 to 57.

The gender diversity of the Board reflects Sage Homes' continuous focus on, and commitment to, gender equality. The Board members bring a broad base of professional experience. The Remuneration and Nomination Committee is responsible for reviewing the composition and balance of skills of the Board, to ensure they remain appropriate and diverse. The Remuneration and Nomination Committee will also oversee the comprehensive and tailored induction programme offered in the event of a new director joining the Board. The gender and ethnic balance of the Board in 2023 was 33% women, 67% men and 33% from a minority ethnic background. Of the senior management and their direct reports (total of 31 people), 32% (10 people) are women and 68% (21 people) are men.

BOARD GENDER DIVERSITY



DIVISION OF RESPONSIBILITIES

The Board's primary role is to provide leadership and to ensure that Sage Rented is appropriately managed within a framework of prudent and effective controls and core values, while delivering long-term shareholder value. The Board is responsible for Sage Rented's strategy, corporate culture, governance framework, risk management and internal controls, risk tolerances and its compliance obligations under the regulatory system.

The Board is committed to ensuring good governance throughout Sage Rented and for instilling its culture, customer focus, sustainable decision making, and social responsibility. These values are reflected in the policies and directions from the Board, as well as in its support, review and challenge of Sage Rented's affairs when engaging with executive management and other stakeholders.

EXECUTIVE MANAGEMENT TEAM

Day-to-day execution of the strategic plan through their operation of Sage Rented's business is the responsibility of the executive management team whose authorities are delegated from the Board and set out in the Standing Orders and Financial Regulations.

BOARD AND COMMITTEE ATTENDANCE AT SCHEDULED MEETINGS IN 2023

In 2023, the Board and committees held a number of scheduled meetings at which senior executives, external advisors and independent advisors were invited, as required, to attend and present on business developments and governance matters. The meetings either took place by Zoom/Teams, or in person. There is a comprehensive Board pack and agenda which is circulated beforehand so that Directors have the opportunity to consider the issues to be discussed. The Company Secretary or her delegate attended all Board meetings and is responsible for documenting discussions and actions arising at meetings.

At its meetings, the Board scrutinises the performance of Sage Rented and its management. The Board has set clear agreed goals and objectives, and through strategic and operational reporting effectively monitors the performance and the delivery of these goals as well as risks, uncertainties and future prospects.

The Board has delegated certain of its activities to standing committees. These committees operate within defined terms of reference which are reviewed annually. During 2023 the committees were:

- Audit and Risk Committee (pages 49 to 52)
- Remuneration and Nominations Committee (pages 53 to 57)
- Customer and People Committee (pages 58 and 59)
- Acquisitions Approval Committee (pages 60 and 61)

The table opposite sets out the attendance by board and committee members at formally scheduled meetings in 2023. In addition to the five regular board meetings, there were also six additional board meetings, a focus day on risk, a strategy day and a meeting to review the budget and business plan.

ACTIVITIES AND CONSIDERATIONS DURING 2023 INCLUDED

The Board receives regular reports from the Chief Executive, Chief Financial Officer, Chief Customer Officer, Chief Operating Officer and other senior managers. In addition, it receives regular updates from the Board Committees in addition to the minutes of their meetings.

- **Composition:** The Board, through the Remuneration and Nomination Committee, has remained aware that as a number of Non-Executive Directors were appointed in the same year their terms of office would end at around the same time. Conscious of this, the Remuneration and Nomination Committee reviews succession plans for both executive and Non-Executive Directors.
- **Strategy:** The Board also considered Sage Homes' business plan and oversaw updates to its strategy, ensuring alignment of strategic objectives with those of the shareholder as appropriate. The Board held a separate Strategy Day in 2023 to discuss the investors perspective including market conditions and the residential housing landscape, the operational landscape in the current environment and the capital markets environment; the macroeconomic and political situation short and medium-term national trends; investor community appetite for affordable housing; and the sector risk profile. The Board discussed progress against its corporate strategic five- and thirty-year plans.
- **Financial performance:** The Board received regular updates from the Chief Executive Officer and Chief Financial Officer on Sage's performance, including the Value for Money review, the 18-month funding and liquidity report and budget review. The Board ensured that Sage Rented had access to sufficient funds to meet its needs.
- **Governance and Risk management:** During the year the Board reviewed and approved updates to policies and the Standing Orders of Sage Rented. In addition, the Board reviewed and challenged the strategic risk register, Sage Rented's risk appetite, holding a meeting dedicated to risk management in March. The Board also discussed the fraud and anti-bribery process and whistleblowing process.
- **Culture:** Sage Homes' culture is integral to the way Sage Homes is run and helps ensure customers get the best possible service and outcomes and that it supports staff. The Board receives regular updates from the staff committee, 'Sage Together'. In addition, there was a regular ESG project update, and the Board monitored Places for People's performance over the year.

BOARD MEETING ATTENDANCE

	Board Meeting	Remuneration & Nomination Committee	Audit & Risk Committee	Customer & People Committee	Acquisitions Approval Committee
John Brace	13/14		5/5		
Cedi Frederick	14/14			6/6	
David Godden	14/14	5/5		6/6	
Gemma Kataký	12/14			3/6	
Gareth Llewellyn	14/14	5/5	5/5		
Cindy Rampersaud	14/14		5/5	6/6	10/10
Sydney Taylor	14/14				
Alison Thain	14/14	5/5			
Mark Sater	14/14				9/10

In addition, Sydney Taylor and Gemma Kataký attended meetings of the Remuneration and Nomination Committee as representatives of the parent. Gemma Kataký took a leave of absence during 2023. Where Directors are unable to attend meetings, they are encouraged either to share comments with the other Directors via the electronic Board pack or feed back their views to the Chair.

Board evaluation, training and support

REGULATORY SELF-ASSESSMENT

During 2023, the Board commissioned a “mock inspection”, carried out by Savills as an independent check on compliance with the Regulator’s Governance and Viability Standard, to ensure that Sage Rented was properly prepared for the In-Depth Assessment by the RSH later in the year, which resulted in a G1*/V2* assessment.

In addition, the Head of Regulation and Compliance conducted a regulatory self-assessment in line with the RSH’s requirements. The results were as follows:

- Over the course of 2023, Sage Homes has worked to strengthen its compliance with the Regulatory Standards. In particular:
 - > it has instituted new IT systems, to reduce the use of spreadsheets and the risk of human error in rent setting. We have also put in place processes that ensure that new rents are double checked before being finalised and applied
 - > it prepared for the In-Depth Assessment, ultimately being awarded G1* V2*
 - > it integrated tracking and reporting of the Regulator’s new tenant satisfaction measures.

EXTERNAL BOARD AND COMMITTEE EVALUATION

In 2023, a Board evaluation process was led by an external facilitator, Independent Audit Limited (IAL). IAL was chosen for their experience in carrying out such reviews, their rigorous approach to board effectiveness reviews, and their knowledge of Sage Homes, having carried out the previous review in 2020. IAL has no other connection with the company or Directors and is a signatory to the Chartered Governance Institute Code of Practice for External Board Reviewers. The appointment of IAL was made by the Company Secretary in consultation with the Chair.

The evaluation included interviews with Board Directors, key executives and advisors; observation of a Board meeting and Committee meetings; and a review of Board and committee papers.

The key findings of the evaluation, which were discussed at a meeting of the Board, were:

- Since the last review, the Board had made progress on many fronts.
- The Board was working well, with the Chair fostering a collaborative and inclusive atmosphere in the boardroom.
- The Directors brought a range of relevant sector and functional experience, with no obvious skills gap, and the Board was an appropriate size.
- The Board is led by an experienced Chair, who is highly regarded by her colleagues. She continues to foster a collaborative and inclusive atmosphere in the boardroom. Her relationship with the CEO is a productive one based on a high degree of mutual respect.
- The CEO is praised for his leadership and openness with the Board. He and his team are appreciated by all for the hard work they put in and the progress made.
- The Board Committees are all working well and Board and Committee meetings benefit from skilled chairing with a range of participants contributing to good debates; and the Executive support the Committees well.

The report recommended four priority areas for further development:

- Aligning on future development scenarios;
- Gaining independent assurance over mission-critical projects;
- Continuing to plan the future composition of the Board; and
- Covering the ground in the right forums – dividing work appropriately between the Board and its committees.

As a result of the evaluation exercise, the Board agreed and is implementing an action plan. Amongst other elements, this has included discussing the future development of Sage Rented; gaining independent assurance over a major project; and commissioning a review of governance arrangements.

IAL have reviewed and agreed this description of the process followed and the findings attributed to them

TRAINING

Training in matters relevant to their role on the Board is available to all Directors. When appointed, new Directors are provided with a full and tailored induction to introduce them to the business and management of Sage Homes. The Chair and Company Secretary agree what Board-wide training or development may be appropriate. Board meetings are generally preceded by a training session. In 2023 these sessions included a presentation on The Consumer Standard Regulations, leading to a greater focus on Tenant Satisfaction Measures at Board meetings.

SUPPORT

The Board is supported by the Company Secretary who is available to give ongoing advice to all Directors on Board procedures and corporate governance. Directors are also entitled to seek independent advice in relation to the performance of their duties at Sage Homes' expense, subject to having first notified the Chair and Company Secretary.

RELATIONS WITH STAKEHOLDERS

It is important that the engagement mechanisms with Sage Homes' stakeholders remain sufficient. The Directors have a duty under s172 of the Companies Act to have regard to the interests of key stakeholders and the stakeholder engagement statement is on pages 32 and 33. A focus on ESG matters commenced in 2022, and was continued through 2023. Details can be found at page 18.

SHAREHOLDER AND INVESTORS

Sage Rented is committed to engaging and communicating with its parent shareholder and investors in respect of strategy, key decisions and business and operational performance. To this end the investors have nominated Directors appointed to the Board. There is a regular dialogue with the parent and the investors which enables the Board to have a clear understanding of their views. Representatives of the investors participated in the Board Strategy Day and Focus Day. By mutual consent, the Board and parent have decided to waive the need to hold an Annual General Meeting.

CUSTOMERS

Sage Rented aims to put customers at the heart of its business and Lucian Smithers, Chief Customer Officer continues in his role of enhancing the customer experience. As an attendee of the Customer and People Committee his role is to participate in increasing its capacity to oversee and address the strategic and operational customer-facing elements of the business.

As a Registered Provider, Sage Rented has a duty to engage with its customers and is satisfied that engagement processes are in place so that the views and concerns of customers receive sufficient attention and action from the Board and the executive management team. The Board particularly values the work of the Customer Scrutiny Panel, which is chaired by a Director, Cedi Frederick, with leaseholder and tenant members drawn from across our homes.

WORKFORCE

The Board is responsible for ensuring that workforce policies and practices are in line with Sage Homes' purpose and values. The Customer and People Committee supports the Board in this work, and the Remuneration and Nomination Committee oversees workforce remuneration matters, seeking the advice of remuneration consultants when appropriate. A whistleblowing policy is in place setting out how members of the workforce may raise concerns, anonymously if they wish.

GATHERING THE VIEWS OF THE WORKFORCE

The 'Sage Together' workforce engagement panel is formed of 22 members of staff from across the business with a wide scope of representation including department, ethnicity and gender. 'Sage Together' has two sub-panels which focus on topics important to Sage Homes - wellbeing and diversity and inclusion. 'Sage Together' is helping to provide a platform for ongoing Board and workforce engagement and plays a key role in helping the Board understand and shape Sage Homes' culture. The views of the workforce are also being gathered through workforce engagement surveys.

MONITORING CULTURE

Sage Homes' values are intended to guide and motivate attitudes and behaviours across the organisation. It is essential that those values are embedded into the organisation's culture to drive Sage Homes towards its purpose. Sage Homes understands the essential link between the organisation's culture and its impact on its customers and that link was recognised with the formation of the Customer and People Committee.

Culture is measured and monitored through a structured approach based on surveys, and by monitoring the culture of Sage Homes directly with the workforce. In 2023, the workforce were regularly surveyed to obtain both quantitative and qualitative data on the organisation's culture and the engagement of its employees. This has helped the Customer and People Committee identify areas that require focus and development. Details can be found on pages 60 and 61.

Sage Homes' workforce advisory panel, 'Sage Together', is an essential element of Sage Homes' commitment to creating a collaborative and inclusive culture. The areas of focus for Sage Together are wellbeing, and diversity and inclusion, and related initiatives were launched during the year. The Sage Together panel reports to the Customer and People Committee and its Chair regularly presents reports directly to the Board.

Internal control

The Board has overall responsibility for establishing and maintaining the system of internal control for Sage Rented and for reviewing its effectiveness. The Board recognises that no system of internal control can provide absolute assurance against material misstatement or loss or eliminate all risk of failure to achieve business objectives. The system of internal control is designed to identify and manage key risks and to provide reasonable assurance that planned business objectives and outcomes will be achieved. It also exists to give reasonable assurance about the preparation and reliability of financial and operational information and the safeguarding of Sage Homes' assets and interests.

In meeting its responsibilities, the Board has utilised a risk-based approach to internal controls that is embedded within the normal management and governance process. This approach includes the regular evaluation of the nature and extent of risks to which Sage Rented is exposed and is consistent with principles set out in the FRC Guidance on Risk Management, Internal Control and Related Financial and Business Reporting 2014. The process adopted by the Board in reviewing the effectiveness of the system of internal control, together with some of the key elements of the control framework, includes the items listed below.

IDENTIFICATION AND EVALUATION OF KEY RISKS

Management responsibility has been clearly defined for the identification, evaluation and control of significant risks. There is a formal and ongoing process of management review in each area of Sage Rented's activities. The executive management team regularly considers and receives reports on significant risks facing Sage Homes and is responsible for reporting to the Board any significant changes affecting key risks.

MONITORING AND CORRECTIVE ACTION

A process of control, self-assessment and regular management reporting on control issues provides assurance to management and to the Board. This includes a rigorous procedure for ensuring that corrective action is taken in relation to any significant control issues, particularly those that may have a material impact on the financial statements and delivery of Sage Rented's services. Sage Homes has its own internal audit team, supported by PwC, which carries out additional internal audit reviews on Sage Homes' behalf.

CONTROL ENVIRONMENT AND CONTROL PROCEDURES

The Board retains responsibility for a defined range of matters covering strategic, operational, financial and compliance issues, including treasury strategy and large new investment projects. This is supported by a framework of policies and procedures with which employees must comply.

Sage Rented has clear administrative, management and supervisory systems of control, agreed and set out by the Board in its Standing Orders and Financial Regulations. These Standing Orders set out the governance structure of Sage Rented and the delegated authorities given by the Board to govern the operation of Sage Rented. They are reviewed and updated by the Board at least once a year.

INFORMATION AND FINANCIAL REPORTING SYSTEMS

Financial reporting procedures include detailed budgets for the year and management accounts produced monthly. These are reviewed in various levels of detail by the executive management team and are reported to each Board meeting. The Board also regularly reviews progress towards the achievement of key business objectives, targets and outcomes.

FRAUD

The Board has a policy on fraud which covers prevention, detection and reporting of fraud. A register is maintained of any fraud or potential fraud. The Audit and Risk Committee regularly reviews the fraud register.

ANTI-BRIBERY POLICY STATEMENT

Sage Rented seeks to maintain the highest standards of ethics and integrity in the way it conducts its business with relevant policies adopted by the Board and implemented at Sage Homes.

John Brace
Chair of the Audit and Risk Committee
 22 May 2024

Maintaining effective internal controls and risk management



“During the year, the Committee maintained its focus on the integrity of the Company’s reporting by maintaining its strong oversight over the adequacy and effectiveness of its internal control and risk management mechanisms.”

During the year the Committee comprised:

- John Brace (Chair)
- Cindy Rampersaud
- Gareth Llewellyn

The members of the Committee are all independent non-executive Directors. The members, as well as the Committee Chair, are appointed by the Board, on the recommendation of the Remuneration & Nominations Committee. The appointment is for a period of three years, which can be extended provided the director still meets the criteria for membership of the Committee.

John Brace is a Chartered Accountant and has recent and relevant financial experience, with extensive experience in the housing sector. Cindy Rampersaud is a Chartered Accountant with significant business experience. Gareth Llewellyn is a highly commercial executive and non-executive director and has experience spanning a variety of sectors. The Committee as a whole has competence relevant to the sector in which Sage Homes operates. Its members have gained further knowledge and experience as a result of their Board membership at Sage Homes.

When appropriate, the Chief Executive Officer and Chief Financial Officer along with the internal auditor and external auditor are invited by the Committee to attend its meetings. Other members of management attend when requested on specific topics or to provide input on more detailed technical matters that may arise. The Committee is able to consider items of business without other parties being present.

During the year, the Committee maintained its focus on the integrity of Sage Homes’ reporting by maintaining its strong oversight over the adequacy and effectiveness of its internal control and risk management mechanisms.

The Head of Internal Audit and Risk reports on internal audit matters at each meeting of the Committee. During the year, the Committee approved the schedule of internal audits for 2023 and the strategic internal audit annual work plan for 2024-2026. The Committee monitors the work of the internal audit function to ensure that issues are detected by applying necessary investigatory rigour and then are properly addressed by improving internal controls, with lessons learned for the future. The internal audit function does essential work in making sure that, as the organisation grows, our internal controls keep pace.

The Committee spearheads our focus on risk and during 2023 it recommended changes to the Board regarding the risk appetite statement, and to the risk management strategy and assurance framework, to ensure they remained fit for purpose. The Head of Internal Audit also heads the Group risk function. The Committee works to ensure that effective procedures exist to identify emerging risks and include them in the risk management process and that all risks are appropriately mitigated in accordance with Sage Homes’ risk appetite.

The Committee oversees the work of the external auditor, Deloitte LLP, and is responsible for assessing the effectiveness of the external audit process, including an assessment of the quality of the audit, the handling of key judgements by the auditor, and the auditor’s response to questions from the Committee. The Committee is also responsible for assessing the qualifications, expertise, independence and objectivity of the external auditor. Prior to the 2023 audit, the Committee discussed its nature and scope with the external auditor.

While the Committee operates to a pattern of work around Sage Homes’ annual financial reporting cycle, it also regularly considers matters in areas that could create risk, such as reviewing the whistleblowing process, anti-bribery and anti-money laundering measures and anti-fraud protection activity as well as other areas of financial compliance. The Committee has instituted a number of business area risk reviews whereby it will meet the manager of a selected business area to review it in-depth to enable the Committee to understand better the risks and potential risks in that area.

“During the year, the Committee maintained it’s focus on the integrity of Sage Homes’ reporting.”

For the forthcoming year, the Committee will ensure Sage Homes’ internal control mechanisms keep pace with our growth and will further strengthen its focus on risk in the organisation. As the Group matures, and processes become embedded, the Committee will seek to progress internal audits that focus on mitigation of key risks through effective system-based control mechanisms. Focus will be given to the Group’s financing arrangements and key operational areas.

Details of meeting attendance can be found in the Corporate Governance Report on page 45.

KEY RESPONSIBILITIES OF THE COMMITTEE

Full details of the Committee’s Terms of Reference can be found on the Sage Homes website. The Terms of Reference are reviewed annually, taking into account any relevant legal and regulatory changes and developing best practice. The key responsibilities of the Committee include, but are not limited to:

- monitoring the integrity of the financial statements of Sage Homes and reviewing significant financial reporting judgements contained in them;
- providing advice to the Board on whether the annual report and financial statements, taken as a whole, is fair, balanced and understandable, and provides the information necessary for shareholders to assess Sage Rented’s position and performance, business model and strategy;
- approving Sage Rented’s Value for Money, Going Concern and Viability statements, to be included in Sage Homes’ annual report and financial statements;
- reviewing Sage Rented’s internal financial controls and internal control and risk management systems;
- making recommendations to the Board about the appointment of the external auditor;
- determining the fee payable to the external auditor;
- reviewing and monitoring the external auditor’s independence and objectivity;
- reviewing the effectiveness of the external audit process, taking into consideration relevant UK professional and regulatory requirements;
- advising the Board on Sage Rented’s overall risk appetite, tolerance and strategy;
- keeping under review Sage Rented’s risk assessment processes that inform the Board’s decision making;
- reviewing Sage Rented’s capability to identify and manage risks; and
- reporting to the Board on how it has discharged its responsibilities.

ACTIVITIES AND CONSIDERATIONS DURING 2023

During the year, in addition to fulfilling the responsibilities set out above, the Committee, among other matters:

- was updated by the CFO on Sage Rented’s actual and expected financial performance;
- considered a number of issues relating to Sage Rented’s financial reporting, including the macroeconomic environment. The Committee reviewed the directors’ going concern assessment in relation to the preparation of the financial statements;
- reviewed and agreed the Committee report to feature in Sage Rented’s 2022 annual report;
- received updates from the external auditor on changes and expected changes to Sage Rented’s legal and regulatory financial environment;
- agreed the 2022 audit plan with the external auditor and agreed areas of focus;
- approved Sage Rented’s Risk Policy and risk management strategy;
- in light of the Board’s Risk workshop, recommended amendments to the risk appetite statement that was adopted by the Board;
- agreed the internal audit plan for 2023 plan and long term strategy;
- considered and confirmed the effectiveness of the internal audit function;
- considered the internal audit reports, looked at the findings from each and reviewed and discussed with the Head of Internal Audit and Risk how and when issues were addressed and closed;
- undertook a business area risk review in relation to acquisitions;
- received and considered risk management reports and reviewed the strategic risk register;
- reviewed formal reports from the Compliance Officer regarding Sage Homes’ compliance with data protection and anti-money laundering legislation, and with any instances of whistleblowing and fraud;
- oversaw the project to achieve compliance with ISO27001, information security.

Significant areas of risk

Areas of risk considered by the external auditor in relation to the financial statements for the year ended 31 December 2023 were:

- presumed fraud risk regarding management's ability to override controls; and
- impairment of housing assets (completed stock units).

The Committee addressed these areas by applying a rigorous review of each and confirming with the external auditor that there were no matters of concern.

On behalf of the Board, the Committee maintained oversight over critical accounting judgements and estimates and discussed with the external auditor, where appropriate, the proper application of accounting rules and compliance with disclosure requirements.

Internal audit

The Committee is responsible for overseeing the internal audit function and for monitoring the effectiveness of its work. The Head of Internal Audit and Risk has a dual reporting line to the Chief Executive Officer and to the Audit and Risk Committee. The importance of the internal audit function in maintaining an effective control environment, particularly in light of the increasing size and complexity of the organisation, is well understood by Sage Homes. The work of Internal Audit is focused on Sage Homes' most material risks as determined by a risk assessment process. The outcome of the risk assessment is summarised in an internal audit plan that is approved by the Committee annually. The Committee monitors progress against the audit plan during the year and approves any updates or changes.

In support of Sage Homes' in-house internal audit function, external consultants, PwC, undertook a number of independent audit reviews during the year on areas of Sage Homes' business. The results of internal audit reviews, including the independent reviews by PwC, were presented to the Committee with the recommended actions followed up and closed.

PwC has been delivering internal audit services to Sage Homes since January 2022. Chris Monk, director at PwC, has been responsible for the service since this date.

The Committee has reviewed the effectiveness of the internal audit provision by considering the range of audits carried out, the number and significance of audit findings, the quality and timeliness of the reports and feedback from management. The Committee continues to be satisfied that the internal audit service is effective.

Risk

Sage Rented has in place a risk management and internal control system. At each meeting the Committee reviews the strategic risk register. The Board has determined the extent of its appetite for risks it is willing to take in achieving its strategic objectives.

A review meeting, led by the Committee and external advisors, undertook a comprehensive evaluation of the organisation's risk appetite. Based on that, the Committee made recommendations to the Board regarding Sage Rented's risk appetite which it adopted.

During the year the Committee monitored existing and potential risks faced by Sage Rented and maintained sound risk management and internal control systems in line with the risk appetite set by the Board.

The Risk Management Group, which is a management risk forum, meets regularly to consider existing and potential risks to the organisation. Departmental risk registers further embed a risk focus through the business.

The principal risks and uncertainties facing the business are detailed on pages 25 and 26.

External audit

EFFECTIVENESS

The Committee addressed the effectiveness of the external audit process by measures including:

- assessing the external auditor to ensure it has the necessary expertise, experience and understanding of the business, as well as having the time and resources to carry out its audit effectively;
- discussing with the external auditor the key controls it relies on to address identified risks to audit quality; and
- regularly reviewing, and feeding back to the external auditor, an assessment of its performance.

EXTERNAL AUDIT INDEPENDENCE AND OBJECTIVITY

The effectiveness of the external audit process is contingent on maintaining an independent and objective relationship with the external auditor. The Committee is responsible for monitoring and annually assessing these aspects of the external auditor relationship taking into account relevant UK law, regulation, other professional requirements, ethical standards and the guidance on rotation of audit partner and staff.

External audit continued

APPOINTMENT

Deloitte LLP has been Sage Rented's external auditor since 2018 when Sage Rented first reached sufficient size to be audited. There are no contractual obligations restricting Sage Rented's choice of auditor. The Committee considers that the relationship with the external auditor continues to work well, remains satisfied with its effectiveness and has no current intention of re-tendering the external audit services contract. The Committee has recommended to the Board that Deloitte LLP be reappointed as Sage Rented's auditor.

WHISTLEBLOWING

The Committee reviews the adequacy and security of Sage Homes' arrangements for anyone with a serious concern, including its customers, employees and contractors to raise concerns in confidence about possible wrongdoing, ensuring the arrangements allow proportionate and independent investigation of such matters and appropriate follow up action. A representative from the Compliance function attends all Committee meetings and presents the status of outstanding whistleblowing reports for the period to the Committee. In respect of the financial year ending 31 December 2023 the Committee has assessed the arrangements in relation to whistleblowing to be working satisfactorily.

GOVERNANCE

The Committee reviews its Terms of Reference annually, taking into account any legislative and regulatory changes and developments in best practice, to ensure it is operating at maximum effectiveness.

During the year, an external review of the effectiveness of Sage Homes' Board and Committees was carried out by the firm Independent Audit. The review included attendance at a meeting of the Audit & Risk Committee, as well as reviewing its meeting papers. The review concluded that the Committee was working well and that internal audit and compliance had become stronger since the last review. The review made a number of recommendations, including procuring independent external project assurance for major projects. An external review of a major project was carried out consequently and reported to the Committee later in the year.

After every Committee meeting, the Committee Chair provides an update to the next Board meeting, and the Board receives copies of the Committee's minutes. During the year, the Committee had unrestricted access to management, external advisors and training. The Committee is satisfied it had received appropriate, timely and reliable information in order to discharge its responsibilities effectively.

John Brace
Chair of the Audit and Risk Committee
 22 May 2024

Remuneration to attract, retain and motivate



“Value for money is
at the heart of our
decision making”

MEMBERSHIP OF THE COMMITTEE

During the year the Committee comprised:

- Gareth Llewellyn (Chair)
- David Godden
- Alison Thain

All members are independent Non-Executive Directors and appointed by the Board on the recommendation of the Remuneration and Nomination Committee. The appointment is for a period of three years, which can be extended provided the Director still meets the criteria for membership of the Committee. There were no changes to the Committee's membership in 2023.

In addition to the Committee members, the investor Directors, the Human Resources Director, the Chief Executive Officer, Chief Operations Officer, Chief Legal Officer, Finance Director, and Sage Homes' remuneration consultant (FIT Remuneration Consultants), are invited to attend meetings of the Committee on a regular basis. When appropriate, advice or information may also be sought directly from other employees where the Committee feels that such additional contributions will assist the decision-making process. No person is present at a meeting when their own remuneration or performance is discussed.

PURPOSE OF THE COMMITTEE

The Committee's purpose is:

- to regularly review the structure, size and composition of the Board, and the time commitment required from Non-Executive Directors.
- to ensure that annual evaluations of the effectiveness of the Board and its Committees are carried out, and to oversee the Board member appraisal process, the appraisal of the Chair and the Board induction and training plans.
- to make recommendations to the Board and the Shareholder on succession plans, committee membership, and the recruitment, appointment and reappointment of Non-Executive Directors.
- to review succession plans and to oversee the process for the recruitment of Executive Directors.
- to make recommendations to the Board on any significant changes to the staff structure.
- to make recommendations to the Board on: the Board and workforce remuneration policies; on the remuneration (including salary, performance-related payments, pension, and termination arrangements) of the senior executive staff; on the overall level of pay, including performance-related pay, of other employees; and on their terms and conditions.

Full details of the Committee's Terms of Reference can be found on the Sage Homes' website. Details of meeting attendance can be found in the Corporate Governance Report on page 45.

Recognising the importance of maintaining a balanced Board, the skills and experience of individual Board members are reviewed on an annual basis, which includes use of a Board skills matrix against which directors assess their competency against a broad set of criteria. This is then overlaid with observations and feedback from the Board and key management stakeholders to determine areas of strength and weakness and whether any changes or training are required. The right mix of skills, experience and competencies is vital for constructive discussion and, ultimately, effective Board decisions.

The Executive Directors, senior executives and other employees are employed by Sage Housing Group Limited which provides services to Sage Homes under a service agreement. As required by the UK Corporate Governance Code, the Committee has delegated responsibility from the Board for setting and reviewing the employee remuneration principles for the Chair of the Board, the Chief Executive Officer and other designated senior executives as well as recommending the overall level of the pay award to employees.

PURPOSE OF THE COMMITTEE continued

The Committee recognises that the quality of Sage Homes' leadership and workforce is a key element in the achievement of Sage Homes' strategy and understands the need to attract, retain and motivate individuals who will drive growth, financial performance and customer focus in line with Sage Homes' purpose and its values. Value for money is at the heart of our decision making and that means investing in the right pay and benefits, for the right people with the right skills.

ACTIVITIES AND CONSIDERATIONS DURING 2023

- Reviewing the bonus outcomes for 2022 and the corporate targets for 2023, making recommendations to the Board on these.
- Reviewing the annual pay award for 2023 and making a recommendation on this to the Board.
- Overseeing a full benchmarking exercise covering the Sage Homes Leadership Team, carried out by FIT. This resulted in changes to a number of job titles to reflect changing roles, as well as adjustments to remuneration.
- Approval of a regional pay structure for core roles in the Sage Homes customer contact centre, based in Northampton.
- A review of succession planning for both the Board and the Executive.
- A review of pension arrangements, which resulted in agreement to establish a Pension Governance Committee; the introduction of pension clinics to provide pension advice to employees; and a change to the pension auto-enrolment arrangements, so that employee pension contributions are now automatically deducted from gross pay via a salary sacrifice arrangement.
- The introduction of a high earner allowance in lieu of pension for those at risk of being affected by the tapered pension annual allowance. The Committee also approved the introduction of an excepted life policy for high earners under the Life Assurance Scheme.
- Consideration of the Gender Pay Gap report for 2023, and actions being taken to address the gap.
- A review of the Leadership Team Development Framework, the Board Skills Matrix and the Board training schedule.
- Receiving a report on the Committee's role in the oversight and control of Sage Housing Group Limited (the employer of Sage Homes staff) within the Sage Group governance structure.
- Agreement to the malus and clawback provisions as part of the bonus scheme arrangements.
- Consideration of the outcomes of the external Board Effectiveness Review.

RECRUITMENT ACTIVITIES

During the year there was no Board or Executive recruitment activity. The Committee recommended the appointment of Cindy Rampersaud to the Acquisitions Approvals Committee to help strengthen non-executive oversight of acquisitions.

RECRUITMENT PROCESS

The recruitment process adopted, for Board and Committee appointments, requires the Committee to agree description of roles, capabilities and time commitments. A recruitment consultant is engaged to seek appropriate candidates based on merit against the objective criteria set out in the role description. A shortlist is drawn up by the recruitment consultants for each role and suitable candidates are considered in detail and interviewed by members of the Committee and a final selection is recommended by the Committee for approval by the Board, parent and investors.

DIVERSITY AND INCLUSION

Based on the objective criteria set out in a role description and, in accordance with Sage Homes' Diversity and Inclusion Policy, all Board appointments pay particular attention to the merits of diversity on the Board. The Board takes the issues of diversity and inclusion seriously and follows the Policy to build the strong team it requires to deliver the strategy for the business.

During the year the Committee agreed that at least 50% of senior appointment recruitment long-lists for all recruitments to the business would be from a diverse background.

The gender and ethnic balance of the Board is set out on page 44.

% Women	2023	2022
Leadership Team	17%	15%
Senior management	29%	30%
Employees	51%	53%

SUCCESSION PLANNING

The Committee monitors and evaluates the balance of skills, experience, independence, and knowledge required on the Board and oversees recruitment for Board and senior executive appointments on a proactive basis as well as in response to vacancies.

ALL-EMPLOYEE REMUNERATION

As for senior executives, general practice across Sage Homes is to recruit employees at competitive market levels of remuneration, to attract, motivate and retain employees. When considering salary increases for senior executives, the Committee will take into account salary increases and pay and employment conditions across the wider workforce. Details of the key management personnel's remuneration can be found on pages 83 and 84. All employees (including the Chief Executive Officer and Leadership Team) receive the same benefits, comprising statutory minimum employer pension contributions of 5%, and life insurance cover, except that during the year the Committee agreed a pension allowance in lieu of pension scheme contribution and an excepted life assurance policy for high earners. During the year, Sage widened the range of flexible benefits available to all staff, including discounts through Benefex, a Cycle to Work Scheme, an Electric Car Scheme and the Wokit Discount and Cashback Scheme. To support the organisation's strategy, a discretionary, annual bonus is provided for all employees which is awarded for the achievement of performance targets. All bonuses are capped at a level depending on the role of the individual.

REMUNERATION POLICY

The Committee is responsible for determining remuneration policies and practices which support the strategy and promote the long-term sustainable success of Sage Homes. When developing the remuneration policy, the Committee was mindful of the provisions of the UK Corporate Governance Code and the Regulator of Social Housing. The main aim of Sage Homes' remuneration policy is to ensure that management and staff are remunerated fairly and so as to facilitate the recruitment, retention and motivation of suitably qualified staff. The Committee considers that the policy supports Sage Homes' strategy and promotes the long-term success of Sage Homes.

REMUNERATION CONSULTANT

The Committee is authorised to take such internal and external advice as it considers appropriate in carrying out its duties, including the appointment of external remuneration advisers. During the year, the Committee was assisted in its work by FIT Remuneration Consultants LLP ("FIT"). FIT provided independent advice on remuneration matters to the Committee and has no other connection with Sage Homes.

The parent is kept updated with the deliberations of the Committee and its views are taken into account on proposals put to the Board. The investor Directors are usually invited to attend Remuneration Committee meetings.

SENIOR EXECUTIVE REMUNERATION FRAMEWORK – KEY PRINCIPLES

- Sage Homes' pay arrangements are designed to take account of its commercial and customer focused culture and to attract and retain executives with the right sense of purpose and the skills needed for delivering against stretching targets which contribute to Sage Homes as a force for good.
- Sage Homes' seeks to pay cost effectively and fairly. We recognise the unique position of Sage Homes as a high-growth, entrepreneurial, commercial provider of social housing and we see value in the consideration of a range of external benchmarks. However, none of those benchmarks fully reflects Sage Homes and, therefore, benchmarking should be used primarily as a means of informing debate by the Committee rather than used to provide an 'answer'.
- As a starting point, the Committee will consider market data for the most appropriate benchmarks where available.
- Other considerations and factors will include internal relativities; differentials (such as the relationship between the Chief Executive Officer's pay and average or the lowest pay in Sage Homes); the complexity and impact of roles; the skills, experience, performance and franchise value of incumbents; and equal opportunities and diversity and inclusion.
- Internal comparability and external competitiveness are both equally important and each need to be considered as inputs for a rounded decision applying judgment. In applying such judgment, we strive for the support of all our stakeholders for the approach to pay that we take.
- Sustainability and affordability are key to both Sage Homes' business model and its approach to pay.
- Sage Homes' approach to pay is aligned with its values.
- Sage Homes takes account of the views of its investors and other major stakeholders.
- Sage Homes takes account of the guidance of the UK Corporate Governance Code on a "comply or explain" basis and considers the alignment of executive pay and all-employee pay.

PAY ELEMENTS

- Base salary assumes an acceptable level of performance and is set at a level which fairly rewards the individual's responsibility and performance. It is reviewed annually, and consideration is given to remuneration in comparable organisations.
- Annual bonus is determined by a defined bonus framework. Bonuses are payable on individual performance measured against pre-determined personal KPIs and the achievement of relevant business goals. The purpose of bonuses is to reward achievement against stretching target levels and they require over-achievement for the delivery of maximum amounts. All bonuses are capped at a level depending on the role of the individual and no individual is able to receive more than 100% of their basic salary as a bonus.
- Modest benefits are provided, i.e. employer pension contributions at the minimum statutory level for all employees, health cash plan, electric car scheme, holiday buy-back (up to 5 days), holiday sale (up to 5 days), Benefex discount provider.
- Terms and conditions are determined by reference to comparable companies and entitle staff to fixed pay only on severance for the balance of any notice period (plus redundancy if relevant).

KEY FACTORS

In developing the Senior Executive remuneration framework, which was established in 2022, and its implementation, the Code has been an important touchstone and the Committee has been careful to take full account of the remuneration-related provisions in its considerations. Sage Homes has considered the six factors outlined in Provision 40 of the Code as follows:

- **Clarity:** the remuneration framework is structured to support financial delivery and the achievement of strategic objectives, aligning the interests of senior executives with those of the parent and other key stakeholders. Sage Homes ensures that the remuneration framework is clear, and that it is well-communicated to senior executives and all members of the workforce.
- **Simplicity:** the remuneration framework is straightforward to communicate and operate. It avoids complexity and focuses on specific pay elements, with any performance measures and targets clearly defined.
- **Risk:** when setting executive pay the Committee seeks to balance a range of risks: reputational, behavioural, operational, talent, strategic and governance. The remuneration framework has been structured to ensure that it is aligned with the Board's system of risk management and risk appetite. Inappropriate risk taking is mitigated through, for example, the operation of arrangements that provide an appropriate balance of fixed pay to variable pay and through the use of multiple annual bonus performance measures based on a blend of financial, non-financial and strategic targets.

- **Predictability:** the annual bonus is subject to individual caps and the Committee has full discretion to alter the pay-out level to ensure payments are appropriately aligned with the underlying performance of Sage Homes. Personal targets and business goals for bonus awards are clearly set out and agreed with each individual.
- **Proportionality:** executives are able to see how their performance influences their remuneration. The supply of affordable housing and improving Sage Homes' financial position will lead to performance-related pay awards. Executives are aware that rewards are based on achievement rather than effort. Formulaic bonus outcomes are reviewed by the Committee and may be adjusted having consideration to overall Group performance.
- **Alignment with culture:** Sage Homes is a rapidly growing, entrepreneurial company with significant ambitions which operates in a socially responsible, regulated sector of the economy. Sage Homes' culture reflects all those elements. The personal targets and business goals that underline Sage Homes' remuneration strategy work to maintain that culture as the organisation matures, while ensuring that the behaviour of individuals supports Sage Homes' purpose, values and strategy.

NOTICE PERIODS

No Independent Non-Executive Director (INED), Non-Executive Director (NED) or Executive Director has contractual rights for compensation beyond payment of the contractual notice period which for the executives is no more than six months' salary. The Chief Executive Officer's contract provides for notice of three months by either party. The INEDs and NED, including the Chair, have letters of engagement and are appointed for a period of three years.

Gareth Llewellyn
Chair of the Remuneration and Nomination Committee
 22 May 2024

DIRECTORS' APPOINTMENTS

	Role	Date of appointment	Date of Re-appointment
Alison Thain OBE	iNED/Chair	19 December 2018	19 December 2021
John Brace	Senior iNED	19 December 2018	19 December 2021
Cedi Frederick	iNED	21 June 2021	
David Godden	iNED	12 August 2019	12 August 2022
Gemma Katakay	NED	19 December 2018	19 December 2021
Gareth Llewellyn	iNED	21 June 2021	
Cindy Rampersaud	iNED	21 June 2021	
Sydney Taylor	NED	21 February 2018	21 February 2021 and 21 February 2024
Mark Sater	CEO, Executive Director	21 July 2021	

Directors are not subject to annual re-election, however, Sage Rented's parent, which is the sole shareholder, retains the ability to appoint or remove any Non-Executive Director from time to time.

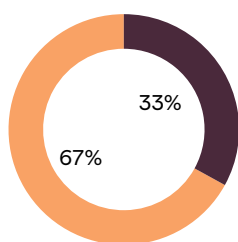
The Chair will not serve more than nine years in post, as set out in the Chair's letter of engagement.

GOVERNANCE

The Committee reviews its Terms of Reference annually to ensure it is operating at maximum effectiveness. An external review of the Committee and of the Board skills matrix was carried out in 2023 as part of the Board effectiveness review. A summary of the outcomes of the review can be found on page 46.

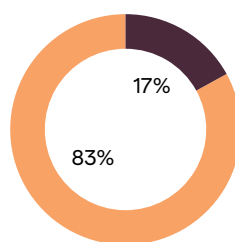
At the Board meeting, the Chair informs the Board of matters dealt with at each Committee meeting. During the year, the Committee had unrestricted access to management, external advisors and training. The Committee is satisfied it had received appropriate, timely and reliable information in order to discharge its responsibilities effectively.

GENDER BALANCE



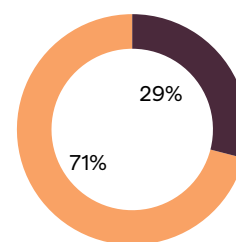
Board

- Female: 33%
- Male: 67%



Leadership Team

- Female: 17%
- Male: 83%



Senior management

- Female: 29%
- Male: 71%

At the end of 2023, there were 161 male employees (48%) and 174 female employees (52%) in the Group (excluding Non-Executive Directors).

Improving outcomes for customers & people



“The Committee represents a clear demonstration of the Board’s commitment to establish a business focused on our customers”

MEMBERSHIP OF THE COMMITTEE

During the year, the Committee comprised:

- David Godden (Chair)
- Cedi Frederick
- Gemma Katakay
- Cindy Rampersaud

Appointment of the Committee Chair, as well as the members of the Committee, are made by the Board, on the recommendation of the Nomination Committee. The appointment is for a period of three years, which can be extended provided the Director still meets the criteria for membership of the Committee.

In addition to the members, the Chief Executive Officer, the Chief Customer Officer, the Chief Operating Officer, the Director of Human Resources and other senior staff attended meetings.

PURPOSE AND COMMITMENT

The Committee supports Sage Homes’ purpose and strategic direction by embedding a culture which helps drive ever-improving outcomes for our customers and workforce. The Committee provides greater Board capacity to allow focus on the detail underlying Customer and People issues. The Committee acts to provide assurance, recommendations and advice for the Board on these areas, which are key pillars of Sage Homes’ strategy.

Sage Homes’ purpose and values describe how customers are at the heart of what Sage Homes does. The Committee represents a clear demonstration of the Board’s commitment to establish a business focused on our customers, making sure that they have safe, high-quality and comfortable homes. Sage Homes’ people are passionate about achieving that ambition and the Committee is also a demonstration of the Board’s commitment to its workforce, working to help make sure they are provided with the best possible working environment and the key elements of a satisfying career.

Every decision made is undertaken with the best interests of our customers and workforce in mind. We ensure our customers, and our people are involved in the decision-making process through a variety of activities, including customer surveys, workforce engagement surveys and formal customer and people representation through the Customer Scrutiny Panel and ‘Sage Together’ panel, respectively. This enables the Committee to listen directly to the ‘voice’ of our customers and of our people and ensure those voices are fully considered by the Board in its strategic decision-making.

Sage Homes’ customer-centric aims, as set out in its purpose and values, can only be achieved through the commitment and hard work of its workforce. The Board wants to provide the best employment experience for Sage Homes’ people and the Committee works on its behalf to help make Sage Homes a great place to work. The Committee oversees the communication and application of Sage Homes’ values throughout the business and ensures that the ‘voice’ and views of Sage Homes’ people are clearly captured and fully considered by the Board in its strategic decision-making.

Details of the meeting attendance can be found in the Corporate Governance report on page 45.

Full details of the Committee’s Terms of Reference can be found on the Sage Homes’ website.

ACTIVITIES AND CONSIDERATIONS DURING 2023

- The Committee works to ensure that the 'voice' of Sage Homes' customers is heard by the Board, and that customer priorities are recognised and understood by the Board and considered in decision-making. The Board knows that most areas of the organisation impact the customer experience, and, for that reason, the Committee has a wide remit and examines issues arising at every step of the customer journey including property quality, hand-over processes and service management provision.
- The Committee oversees the approach and application of customer engagement and people engagement. There are two panels that support the work of the Committee in each regard:
 - > The Workforce Advisory Panel, 'Sage Together', brings the views of the workforce to each meeting of the Committee. The Chair of this panel also regularly presents its work, and the views of the workforce, directly to meetings of the Board. The Panel has two sub-panels focusing on Wellbeing, and on Diversity and Inclusion, which are areas of focus for the Committee. Further information about the work of the panel may be found on page 20.
 - > The Customer Scrutiny Panel comprises Sage Homes' customers and is chaired by Cedi Frederick who passes the views of the Panel back to the Committee. The aim of the panel is to gather the lived experiences of Sage Homes' customers and hear candidly about successes and areas requiring improvement. Further information about the work of the panel may be found on page 22. A quarterly update is discussed at the Committee and the Committee met with members of the Panel to hear directly from them at its meeting in December.
- Results of the customer transaction surveys (customer feedback about a recent interaction with Sage Homes) are reviewed on a quarterly basis whilst the perception survey results (which includes the questions for the Tenant Satisfaction Measures and gathers feedback about the customer's overall experience with Sage Homes) are reviewed annually. Findings across the two types of surveys are analysed and used to form the Customer Service Strategy which identifies actions that Sage Homes needs to take to improve the Customer experience. A key objective for the Committee in 2023 was shaping the Customer Service Strategy and KPIs which set the target for Sage Homes to be in the top quartile for customer satisfaction by 2024.

- The Committee approved the 2023 customer satisfaction survey metrics and discussed the leadership accountability and operational metrics. The Committee oversees the customer improvement plan and property handover. During the year, the Committee focussed on improvements to customer communications, anti-social behaviour, defects, repairs, complaints, and damp and mould.
- The Committee reviewed the Places for People (PfP) delivery and performance on a quarterly basis, prior to the management being transferred to Sage Homes, and oversaw Sage Homes' service with regard to repairs, arrears and complaints and progress against the service improvement plan.
- Staff engagement surveys and ad hoc pulse surveys were conducted throughout 2023 and the action plans to address feedback were discussed. The results of the November 2023 staff engagement survey showed that since the mid-year survey in May 2023 Sage Homes' staff engagement scores had remained the same at 79%, which was 3% above the external benchmark of 76%.

GOVERNANCE

The Committee reviews its Terms of Reference annually to ensure it is operating at maximum effectiveness.

The Chair reports on matters dealt with at each Committee meeting at the subsequent Board meeting. During the year the Committee had unrestricted access to management, external advisors and training. The Committee is satisfied it received appropriate, timely and reliable information in order to discharge its responsibilities effectively.

David Godden

Chair of Customer and People Committee

22 May 2024

A revised structure to meet new needs



“Working to make sure the organisation has homes that are appealing to our customers and make good business sense for Sage Homes and its investors.”

MEMBERSHIP OF THE COMMITTEE

During the year the Committee comprised:

- Cindy Rampersaud (Chair)
- Mark Sater (CEO)

The Committee was established in June 2023 as part of a revised committee restructure, replacing the previous Acquisitions and Development Committee with this Committee and an executive Acquisitions Committee. Its terms of reference are available on the Sage Homes website. It consists of at least two members, appointed by the Board, one of whom must be an independent non-executive director, who is the Committee Chair, and the Chief Executive Officer.

PURPOSE

The purpose of the Committee is to act on behalf of the Board in scrutinising acquisition deals approved by the executive Acquisitions Committee. In doing this, it considers whether:

- Due process has taken place;
- The approved deals fall within the terms of the Boards’ agreed ‘buy box’; and
- Taking into account Sage Homes’ mission, values and corporate objectives, as well as its current portfolio, the proposed acquisition deals form desirable additions to the portfolio.

The Committee may ask the executive Acquisitions Committee to review its decisions or any part of them, discuss the proposed acquisition with the executive Acquisitions Committee, or refer the proposed acquisition to the Board for further consideration.

The Committee generally meets monthly, depending on the number of acquisitions.

“We offer speed and certainty to housebuilders.”

The Committee works to make sure the organisation has homes that are appealing to our customers and make good business sense for Sage Homes and its investors.

We offer speed and certainty to housebuilders. We enable Sage Homes’s offers to be fully approved on behalf of the Board with no further approvals required unless there is a change to the agreement.

We use a defined set of underwriting criteria to decide upon an acquisition. Those criteria comprise all factors that might influence whether a proposed acquisition represents a worthwhile investment for Sage Homes including, for affordable rented homes, whether the home could be economically let given its size and location and time to let and, for shared ownership homes, their marketability and selling costs.

Underlying those factors is the economic and housing market environment and its effect on our investment returns, as well as the quality and suitability of the homes for Sage Homes’s customers.

The metrics underlying the underwriting criteria are kept up to date and actualised based on transactions that have occurred and economic data so that we have available the most up to date information upon which to base our decisions.

To date, the bulk of Sage Homes’s acquisitions have been derived through the s106 model. In 2023 and beyond we have seen the opportunity for new models and structures. These new strategies will help Sage Homes meet its target of 30,000 homes.

When deciding upon an acquisition, the Committee uses a defined set of underwriting criteria to ensure that a proposed acquisition represents a worthwhile investment for Sage Homes.

GOVERNANCE

The Committee reviews its Terms of Reference annually to ensure it is operating at maximum effectiveness.

The Chair and National Acquisitions Director report on matters dealt with at Committee meetings at the subsequent Board meeting. The Committee during the year had unrestricted access to management, external advisors and training. The Committee is satisfied it had received appropriate, timely and reliable information in order to discharge its responsibilities effectively.

Cindy Rampersaud
Chair of the Acquisitions Approval Committee
 22 May 2024

The Directors present their report and audited financial statements for Sage Rented Limited for the year ended 31 December 2023.

It is the Directors' responsibility to prepare the annual report and financial statements and they consider that the annual report and financial statements 2023, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the company's position, performance, business model and strategy during 2023.

The Chair's statement and the strategic report, including the Chief Executive Officer's review, financial review, disclosures of the key performance indicators used to manage the business, and likely future development, together with this section fulfil section 414C of the Companies Act 2006.

PROPOSED DIVIDEND

The Directors do not recommend the payment of a dividend for the period.

CORPORATE GOVERNANCE

The Corporate governance report is set out on pages 42 to 48.

THE DIRECTORS OF THE BOARD

The Directors who held office during the period, and up to the date of signing the financial statements were:

John Brace

Cedi Frederick

David Godden

Gemma Katakya

Gareth Llewellyn

Cindy Rampersaud

Sydney Taylor

Alison Thain (Chair)

Mark Sater (CEO)

The Company Secretary is Bridget Frisby.

The Articles give the Directors the power to appoint additional or replacement Directors within the limits set out. The Directors may exercise all the powers of the company subject to statute, relevant regulation, the Articles and Standing Orders and Financial Regulations. Directors are not subject to annual re-election. However, the company's parent retains the ability to appoint or remove any Director from time to time.

DIRECTORS' INTERESTS

Apart from service contracts or Non-Executive Directors' letters of engagement, no contract subsisted during or at the end of the financial year in which a Director is or was materially interested and which is or was significant in relation to the company's business during the period under review. No Director has any beneficial interest in the company.

DIRECTORS' AND OFFICERS' LIABILITY

The company has maintained, throughout the year and to the date of this report, directors' and officers' liability insurance cover in respect of the acts or omissions of its directors and executives and continues to do so. Details of the policy are provided to new Directors on appointment. In common with other companies, Sage Rented has made qualifying third-party indemnity provisions for the benefit of its directors against liabilities incurred in the execution of their duties.

ANNUAL GENERAL MEETING

By mutual consent, the Board and parent have decided to waive the need to hold an Annual General Meeting and to approve the annual report, financial statements and the appointment of the auditor by written resolution.

INDEPENDENT AUDITOR

Sage Rented's auditor for the year ended 31 December 2023 was Deloitte LLP. At the time of signing the accounts Deloitte LLP had not been reappointed auditor for 2024.

POLITICAL CONTRIBUTIONS AND CHARITABLE DONATIONS

There were no political contributions made or political expenditure incurred in the financial year.

During the year, Sage Homes made charitable donations of almost £83,000 (2022: £40,000) through Heart of Sage to help support charities, community groups and those customers most in need.

OFFICES

Sage Homes operates from two locations within the UK; there are no offices outside of the UK.

EMPLOYEES

Sage Homes communicates and consults with its workforce on a wide range of subjects, including those that directly affect them, using email, websites, intranet, and meetings. The employees of Sage Homes are instrumental in its success and the organisation works hard to maintain good relationships with its employees through continual communications. Sage Homes sees each recruitment as a significant and long-term investment in the success of the business. Employees with broad knowledge, diverse backgrounds and experience make a vital contribution of Sage Homes, supporting and attainment of the corporate goals and fulfilling its strategy. To retain employees, personal and career development must exist and development and learning resources are available to all employees through Sage Homes learning and development portal.

Every year Sage Homes conducts an annual employee engagement survey. The Customer & People Committee and the Board are briefed on the results of the survey and the action plan to address any findings.

EQUALITY AND DIVERSITY

Sage Homes is committed to providing equal opportunities in employment for all employees and does not discriminate against job applicants or employees of Sage Homes in relation to any protected characteristic.

Sage Homes takes the issues of equality and diversity seriously. By using the talent and skills available it is able to build the strong team it requires to deliver the strategy for its business. Sage Homes uses job-related objective criteria both in the selection of candidates and when considering development opportunities. Sage Homes aims:

- to create an inclusive environment in which individual differences and the contribution of everyone are recognised and valued;
- to provide a working environment that promotes safety, dignity and respect for all;
- not to tolerate any form of intimidation, bullying or harassment;
- to ensure that all training and development is inclusive and accessible to enable the same progression opportunities to all;
- to promote equality in the workplace as a good management practice that makes sound business sense; and
- not to discriminate unlawfully against customers, suppliers or others using or seeking to use Sage Homes' services

'Sage Together' - the workforce advisory panel - discusses the way Sage Homes colleagues interact with the business and ensures they feel heard. Wellbeing and diversity and inclusion are a key focus. Further details of the work of the 'Sage Together' advisory panel can be found on page 20.

PEOPLE WITH DISABILITY

Sage Homes accepts its obligations to people with disabilities and endeavours to treat them fairly in relation to job applications and promotion. If employees become disabled while employed, every effort is made to enable them to continue working either in their original job or some suitable alternative.

Opportunities are provided to all employees for career development and succession, regardless of mental or physical health or disability, with adjustments being accommodated as appropriate. Where a provision, criterion or practice places a disabled person at a substantial disadvantage in comparison with someone who is not disabled, Sage Homes embraces the opportunity to make reasonable adjustments to avoid the disadvantage.

Some examples of reasonable adjustments include:

- adaption of the working environment, for example seating, desk height, ramps and lifts.
- altering the lighting for someone with restricted vision
- allowing a person with a disability to work flexible hours to accommodate their needs
- providing extra support for someone whose disability leads to uncertain or a lack of confidence
- allowing a person with a disability to take time off for medical check-ups and treatment related to their condition

STAKEHOLDER RELATIONSHIPS

To see how Sage Homes engages with its stakeholders refer to the Section 172 statement on page 32 and 33.

RESEARCH AND DEVELOPMENT

Sage Homes undertakes research and development on projects that will improve its technological and operational infrastructure and create efficiencies. The aim is to improve the service provided to its customers, to increase operational efficiency and to improve compliance with regulatory and economic requirements. Examples of these investments include areas that drive efficiencies and automate manual processes.

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks and uncertainties facing the business are detailed on pages 24 to 26.

FINANCIAL INSTRUMENTS

Details of the use and materiality of financial instruments are provided in note 1 to the financial statements.

SECURITIES AND SHARES

Sage Homes has no listed securities and there were no shares purchased or acquired under Section 659 of the Companies Act 2006.

REGULATION

Sage Rented is regulated under the Registered Social Housing Legislation and its Registration Number is 5083. It is incorporated in England and Wales with Company Number 11217855.

STREAMLINED ENERGY AND CARBON REPORTING (SECR) 2023

The Group is required to report under the SECR framework, under the Companies (Directors' report) and Limited Liability Partnerships (Energy and Carbon report) Regulations 2018.

Sage Homes has begun to quantify its environmental impact and define medium and long-term carbon emissions targets, to place us on a course for reaching a zero-carbon future. All emissions reported are from activities over which Sage Homes has financial and operational control and are classified as follows:

- Scope 1: Direct emissions: Emissions from combustion in owned or controlled boilers or vehicles
- Scope 2: Energy indirect: Emissions that are a consequence of our activities which occur at sources we do not own
- Scope 3: Other indirect: Emissions from business travel by means not owned by the Company

In addition to Sage Homes' own corporate activities which are generally administrative in nature, Sage Homes utilises partners to manage its delivered affordable homes and continues to significantly invest and deliver a high number of new affordable homes through our construction partnerships. We have begun to engage with our supply chain to encourage them to report on their key environmental impacts for Sage Homes to make informed procurement decisions.

We have through the year improved how we measure and report our carbon. Any estimates or averages used have been identified and key actions have been assigned internally to ensure data becomes more robust.

In line with SECR requirements, the quantity of emissions in tonnes of carbon dioxide equivalent (tCO₂e) resulting from UK energy use relating to gas, electricity and transport fuel within Sage Homes has been calculated for the year ended as follows:

Energy Use and Carbon Emissions for 2023 v 2022:

Total energy consumption	2023 kWh	2022 kWh
Mains gas	3,242,780	4,142,740
Mains electricity ¹	624,077	614,826
Transport fuel – business travel in employee-owned vehicles	287,250	152,958
	4,154,107	4,910,524

Total gross emissions	2023 tCO ₂ e	2022 tCO ₂ e
Combustion of gas (scope 1)	587	744
Purchased electricity (scope 2)	129	119
Combustion of fuel for transport (scope 3)	69	38
	785	901

1. The electricity supplied in our head office and the majority of our communal spaces is on a renewable energy tariff, this results in 147,427kWh (2022: 97,903 kWh) of our mains electricity being from a renewable green energy source.

EXCLUSIONS:

All mandatory fuels have been included with no exclusions. The consumption used by our partnerships which include most of our supply chain, our house builders, residents and property management services, fall out of the scope of our financial and operational control boundaries and for this reason have been excluded from the above calculations.

INTENSITY RATIOS:

Our intensity ratios are based on three different drivers, average number of employees across the year, completed homes at year end and homes in development at year end.

	2023	2022
Carbon emissions intensity (tCO ₂ e per employee)	2.19	2.96
Carbon emissions intensity (tCO ₂ e per completed homes)	0.05	0.08
Carbon emissions intensity (tCO ₂ e per home in development)	0.10	0.10

METHODOLOGY:

Sage occupied office space in two different buildings during the year. We have used actual meter readings and our proportioned square footage to determine consumption figures.

For temporary gas and electricity supplies to our void homes in our affordable housing portfolio we have calculated this based on actual meter readings for the majority of our properties. For any missing/incorrect data, average consumption values based on the year are utilised.

Communal areas have been calculated using actual meter readings from invoice data. For meters where this information is missing, we have used an average figure for communal spaces to ensure these meters are accounted for.

The amount of transport fuel used by employees for business purposes through grey fleet has been calculated using consolidated mileage claims data and the GHG Conversion Factors for average passenger vehicles. Note we have no company fleet vehicles in 2023.

Please note that to ensure we are providing an accurate view of our energy usage and carbon emissions we have included all properties and companies within the Group to prepare the above data. This will allow us to do a fair comparison each year of all our energy consumption. We have used the Government's Greenhouse gas reporting conversion factors for 2023 in all calculations.

DISCLOSURE OF INFORMATION TO THE AUDITOR

Having made enquiries of fellow Directors and of the auditor, each of these Directors confirm that:

- so far as each of the Directors is aware, there is no relevant audit information of which the auditor is unaware
- the Directors have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

The confirmation is given and should be interpreted in accordance with the provisions of the Companies Act 2006.

POST-BALANCE SHEET EVENTS

On 19 March 2024, Sage Rented Limited reduced its issued capital by special resolution from £245,463,391 to £24,546.34 by cancelling and extinguishing capital to the extent of £0.9999 on each issued fully paid up ordinary share of £1.00 each in the company and reducing the nominal value of each issued fully paid up ordinary share from £1.00 to £0.0001, crediting the amount of £245,438,845 by which the share capital was reduced to a reserve.

GOING CONCERN

The Directors have considered it appropriate to adopt the going concern basis of accounting in preparing the annual financial statements. The Directors can report that there are no material uncertainties to Sage Rented Limited's ability to continue over a period of at least twelve months from the date of approval of the financial statements. This conclusion has been reached following a full review and scrutiny of the financial position of Sage Rented Limited, review and assessment of the risks facing Sage Rented Limited, and discussions with Sage Rented's shareholder and investors who have confirmed their intentions to continue to support Sage Rented Limited in line with the current business plan.

To support this process the Board has put in place a risk management and internal control system. The Board has determined the nature and extent of the principal risks it is willing to take in achieving its strategic objectives. The Board and the management of Sage Rented Limited have maintained sound risk management and internal control systems.

The Directors can report that Sage Rented Limited has a considered and well-developed business model to preserve and increase the value of Sage Rented Limited's assets and to deliver the objectives of Sage Rented Limited in the short and long term.

The Board keeps liquidity under constant review, a process that involves assessing short and long-term cash flow projections, as well as review of Sage Rented Limited's business plan. In doing so the Board can identify possible funding requirements and plan for these with Sage Rented Limited's management, its shareholder and investors. Key assumptions underpinning the projections are regularly reviewed and updated and are subject to stress testing and sensitivity analysis including a review of the impact of reductions in income from shared ownership sales, future letting occupancy and constraints to future increases in debt funding availability.

As referenced in the Viability statement and their assessment of the impact of the current uncertainty caused by the economic downturn and funding requirements, the Directors have assessed Sage Rented Limited's access to additional shareholder funding as well as debt financing and have a reasonable expectation that Sage Rented Limited has adequate resources to continue in operational existence for at least twelve months from the approval date of these financial statements.

VIABILITY STATEMENT

The Directors have assessed the ongoing viability of Sage Rented Limited. Each year, on a rolling basis, the Directors draw up a strategic plan for the business. In 2020, the Directors drew up the strategic five-year plan for Sage Rented Limited until the end of 2025. The Directors have determined five years to be appropriate as this fits well with the growth cycle that Sage Rented Limited is currently in and ensures the plan is aligned with Sage Rented Limited's thirty-year financial forecasts. The assumptions of the financial forecasts are regularly reviewed.

While the strategic plan reflects the Directors' best estimate of the future prospects of the business, they have tested the assumptions and sensitivities identified, and stress tested the financial forecasts in the context of solvency or liquidity by considering severe but plausible changes, singular and compounding, to the plan's assumptions.

Areas of investigations have included, but were not limited to how Sage Homesworks with its partners to ensure tenants receive appropriate services, how to work with developers to continue to deliver completed affordable homes to Sage Homes, and how to continue to acquire new affordable homes in alignment with Sage Homes' growth strategy.

Directors have also assessed Sage Rented Limited's ability to modify its plans and capital needs in response to the economic downturn. In alignment to these reviews, the Directors have assessed Sage Homes' existing credit facility. Facility covenants only relate to future drawdowns, with no maintenance covenants, and the Directors noted a reasonable level of headroom to these. Finally, the Directors have discussed with Sage Rented Limited's shareholder and investors their capital availability to fund Sage Rented Limited's business plan and have affirmed with them their intention to do so.

Following their assessment of the above, and discussions with the Company's shareholder and investors who have confirmed their intentions to continue to support the Company in line with the current business plan, the Directors have a reasonable expectation that Sage Rented Limited has access to adequate liquidity to continue in operational existence for the foreseeable future.

The Directors' report was approved by the Board on 22 May 2024.

By order of the Board.



Bridget Frisby
Company Secretary
Sage Rented Limited
22 May 2024

The Board is responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations. The Companies Act 2006 and Registered Social Housing Legislation requires the Board to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the private Registered Provider and of the profit or loss for that period. The Board has elected to prepare the financial statements in accordance with UK Accounting Standards, including FRS 102 the Financial Reporting Standard applicable in the UK and Republic of Ireland. In preparing these financial statements, the Board is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Registered Provider will continue in business.

The Board is responsible for keeping adequate accounting records that are sufficient to show and explain the transactions and which disclose with reasonable accuracy at any time the financial position of the Registered Provider and to enable it to ensure that the financial statements comply with the Companies Act 2006, the Housing and Regeneration Act 2008 and the Accounting Direction for Social Housing in England from January 2022.

The Board has general responsibility for taking reasonable steps to safeguard the assets of the Registered Provider and to prevent and detect fraud and other irregularities.

The Board is responsible for ensuring that the Strategic report includes a fair review of the development and performance of the business and the position of Sage Rented Limited, together with the disclosure of the principal risks and uncertainties it faces.

The Board is responsible for the maintenance and integrity of the corporate and financial information included on Sage Homes website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

DIRECTORS' CONFIRMATIONS

The Directors consider that the annual report and financial statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for the shareholder to assess Sage Rented Limited's position, performance, business model and strategy. Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the Director has taken all the steps that he/she ought to have taken as a Director in order to make himself/ herself aware of any relevant audit information and to establish that Sage Rented's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

The Statement of Directors' responsibilities was approved by the Board on 22 May 2024.

By order of the Board.

Bridget Frisby
Company Secretary
 Sage Rented Limited
 22 May 2024



Financial statements



Delivering sector-leading numbers of high-quality,
energy-efficient affordable homes.

Report on the audit of the financial statements

1. OPINION

In our opinion the financial statements of Sage Rented Limited (the 'Company'):

- give a true and fair view of the state of the Company's affairs as at 31 December 2023 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2022.

We have audited the financial statements which comprise:

- the statement of comprehensive income;
- the statement of financial position;
- the statement of changes in equity;
- the statement of cashflows;
- the material accounting policy information; and
- the related notes 1 to 26.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

2. BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3. SUMMARY OF OUR AUDIT APPROACH

KEY AUDIT MATTERS	<p>The key audit matter that we identified in the current year was:</p> <ul style="list-style-type: none">• Carrying value of completed housing units.
MATERIALITY	<p>The materiality that we used was £10.8m which was determined on the basis of 1% of total assets.</p> <p>The lower-level materiality that we used for class of transactions, account balances and disclosures which are not related to housing assets was £750k which was determined on the basis of 2% of revenue.</p>
SCOPING	<p>Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team.</p>

Report on the audit of the financial statements continued

4. CONCLUSIONS RELATING TO GOING CONCERN

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the Directors' assessment of the Company's ability to continue to adopt the going concern basis of accounting included:

- assessing the cash flow forecasts, sensitivity analysis performed by the Board, and supporting five-year and thirty-year business plans;
- assessing accuracy of forecasts by comparing actual performance against budget in the current and previous financial year;
- evaluating the financing facilities and borrowings, including obtaining funding guarantee letters from Blackstone Inc., the ultimate parent of the Company; and
- considering the current regulatory requirements published by the Regulator of Social Housing and current macroeconomic conditions.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In relation to the reporting on how the Company has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

5. KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

5.1. CARRYING VALUE OF COMPLETED HOUSING UNITS

KEY AUDIT MATTER DESCRIPTION	<p>The Company holds a significant quantum of affordable rent housing units. As per note 10 of the financial statements the net book value as at 31 December 2023 was £917.5m (2022: £413.2m).</p> <p>At each reporting date, the Company assesses completed housing units for indicators of impairment in line with the Statement of Recommended Practice for social housing providers ('Housing SORP') and FRS102. Where indicators are identified, a detailed assessment is undertaken to determine the cash-generating unit's recoverable amount.</p> <p>We have identified a key audit matter in relation to carrying value of completed housing unit due to the significant judgements required and assumptions used to estimate the recoverable amount of cash-generating units. The key assumptions used are discount rate, estimating management and operating costs and expected yields which is subjective in nature.</p> <p>Details of the accounting policies applied are set out in Notes 1 and 10 of the financial statements.</p>
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Report on the audit of the financial statements continued

5. KEY AUDIT MATTERS continued

5.1. CARRYING VALUE OF COMPLETED HOUSING UNITS continued

HOW THE SCOPE OF OUR AUDIT RESPONDED TO THE KEY AUDIT MATTER	<p>We obtained an understanding of relevant controls relating to the identification and assessment of impairment indicators of completed housing units.</p> <p>We evaluated the methodology used by the Company to identify impairments and assessed the reasonableness of this approach in line with the Statement of Recommended Practice for social housing providers ('Housing SORP') and FRS102. We evaluated management's assessment of potential impairment triggers using our knowledge of the Company and wider social housing sector along with the current economic environment.</p> <p>With the involvement of our property valuation specialists we assessed the assumptions used, such as management costs, operating costs, discount rate and, rental yields.</p> <p>We tested the arithmetic accuracy of the calculation performed by management.</p> <p>For sampled housing units we challenged forecast costs and sales valuations, with published information sources to test the appropriateness of management's assumptions.</p>
KEY OBSERVATIONS	Based on our work performed, we concluded that the carrying value of Housing Units is appropriate.

6. OUR APPLICATION OF MATERIALITY

6.1. MATERIALITY

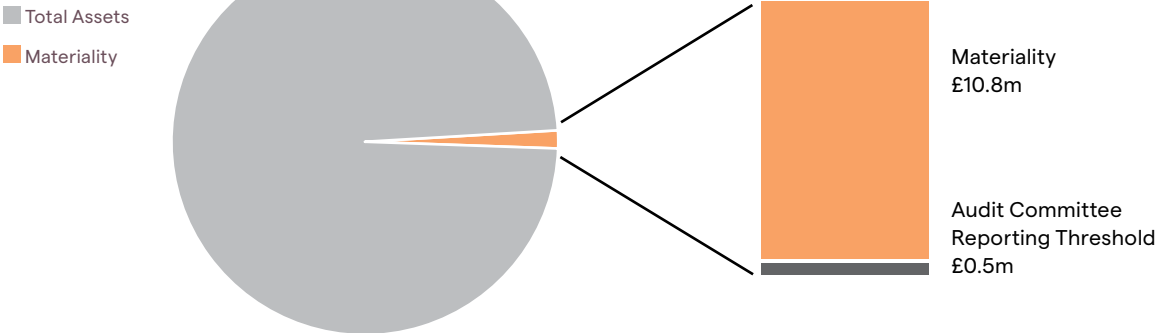
We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

MATERIALITY	£10.8m (2022: £5.4m)
BASIS FOR DETERMINING MATERIALITY	1.0% of total assets (2022: 1.0% of total assets)
RATIONALE FOR THE BENCHMARK APPLIED	Total assets is a key performance indicator for users of the financial statements. The Company is a growing entity and therefore the value of property owned and rented is a key focus.

Based on our professional judgement, we used a lower level of materiality of £751k (2022: £544k) determined on the basis of 2.0% of revenue to apply to account balances, class of transactions and disclosures that are not linked to housing property.

TOTAL ASSETS £1.1BN



Report on the audit of the financial statements continued

6. OUR APPLICATION OF MATERIALITY continued

6.2. PERFORMANCE MATERIALITY

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. Performance materiality was set at 80% of materiality for the 2023 audit (2022: 80%).

In determining performance materiality, we considered the following factors:

- Our risk assessment, including our assessment of the Company's control environment; and
- The low number of corrected and uncorrected misstatements identified in the previous year's audit.

6.3. ERROR REPORTING THRESHOLD

We agreed with the Audit and Risk Committee that we would report to the Committee all audit differences in excess of £0.5m (2022: £0.3m), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit and Risk Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7. AN OVERVIEW OF THE SCOPE OF OUR AUDIT

7.1. SCOPING

Our audit was scoped by obtaining an understanding of the entity and its environment, including internal control, and assessing the risks of material misstatement. Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team.

7.2. OUR CONSIDERATION OF THE CONTROL ENVIRONMENT

We have obtained the understanding of relevant control in areas including: valuation of housing units, management override of controls, revenue and payroll. We have also held discussions with IT specialists around the IT control environment and related general IT controls. We have not taken controls reliance approach.

7.3. OUR CONSIDERATION OF CLIMATE-RELATED RISKS

Management has considered climate change risks as part of their risk assessment process when considering the principal risks and uncertainties facing the group as explained in their Environmental, Social and Governance section of their Strategic Report on page 17. We have:

- completed risk assessment procedures, including assessing whether the risks identified by management are complete and consistent with our understanding of the group; and
- read the climate risk disclosures in the Environmental, Social and Governance section of the Strategic Report to consider whether they are materially consistent with the financial statements and our knowledge obtained in the audit.

8. OTHER INFORMATION

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Report on the audit of the financial statements continued

9. RESPONSIBILITIES OF DIRECTORS

As explained more fully in the Directors' responsibilities statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

10. AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

11. EXTENT TO WHICH THE AUDIT WAS CONSIDERED CAPABLE OF DETECTING IRREGULARITIES, INCLUDING FRAUD

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

11.1. IDENTIFYING AND ASSESSING POTENTIAL RISKS RELATED TO IRREGULARITIES

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the Company's remuneration policies, key drivers for Directors' remuneration, bonus levels and performance targets;
- results of our enquiries of management, internal audit, the Directors and the Audit Committee about their own identification and assessment of the risks of irregularities, including those that are specific to the Company's sector;
- any matters we identified having obtained and reviewed the Company's documentation of their policies and procedures relating to:
 - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
 - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
 - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team and relevant internal specialists, including property valuation specialists, financial instrument specialists and IT specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

Report on the audit of the financial statements continued

11. EXTENT TO WHICH THE AUDIT WAS CONSIDERED CAPABLE OF DETECTING IRREGULARITIES, INCLUDING FRAUD continued

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the following area: carrying value of completed housing units. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory framework that the Company operates in, focussing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the Accounting Direction for Private registered Provider of Social Housing 2022 and the Housing and Regeneration Act 2008.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the Company's ability to operate or to avoid a material penalty. These included the Company's compliance with regulatory standards set by the Regulator of Social Housing.

11.2. AUDIT RESPONSE TO RISKS IDENTIFIED

As a result of performing the above, we identified carrying value of completed housing units as a key audit matter related to the potential risk of fraud. The key audit matters section of our report explains the matter in more detail and also describes the specific procedures we performed in response to that key audit matter.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management, the Audit Committee and external legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with relevant regulatory authorities including HMRC; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements

12. OPINIONS ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the Directors' report.

13. CORPORATE GOVERNANCE STATEMENT

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- the Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 65;
- the Directors' explanation as to its assessment of the Company's prospects, the period this assessment covers and why the period is appropriate set out on page 65;
- the Directors' statement on fair, balanced and understandable set out on page 66;
- the board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 25;
- the section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 48; and
- the section describing the work of the Audit Committee set out on page 49.

14. MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

14.1. ADEQUACY OF EXPLANATIONS RECEIVED AND ACCOUNTING RECORDS

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

14.2. DIRECTORS' REMUNERATION

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of Directors' remuneration have not been made.

We have nothing to report in respect of this matter.

15. USE OF OUR REPORT

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

James Wright (Senior statutory auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

London

United Kingdom

23 May 2024

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2023

	Note	2023 £'000	2022 £'000
Turnover	3	37,221	26,983
Operating costs	3	(30,590)	(17,786)
Operating profit	7	6,631	9,197
Interest receivable and similar income	8	3,301	3,959
Interest payable and similar charges	8	(46,939)	(21,700)
Loss before tax		(37,007)	(8,544)
Tax (charge)/credit on loss	9	(2,498)	878
Loss for the year		(39,505)	(7,666)

The results for the current year and prior year derive from continuing operations.

The notes on pages 79 to 92 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION

at 31 December 2023

	Note	2023 £'000	2022 £'000
Tangible fixed assets			
Housing properties	10	917,460	413,248
Total fixed assets		917,460	413,248
Non-current assets			
Investment in subsidiary undertakings	11	15,895	15,895
Debtors: amounts falling due after more than one year	12	89,486	87,200
Total non-current assets		105,381	103,095
Current assets			
Financial instruments	13	23,545	6,998
Debtors: amounts falling due within one year	14	14,430	4,378
Cash at bank and in hand	15	6,753	8,745
Total current assets		44,728	20,121
Creditors: amounts falling due within one year	16	(26,128)	(5,618)
Net current assets		18,600	14,503
Total assets less current liabilities		1,041,441	530,846
Creditors: amounts falling due after more than one year	17	(848,597)	(523,130)
Net assets/(liabilities):		192,844	7,716
Capital and reserves			
Called-up share capital	18	245,463	20,830
Profit and loss account		(52,619)	(13,114)
Total shareholders' funds		192,844	7,716

The financial statements of the Company (registered number: 11217855) were approved by the Board of Directors and authorised for issue on 22 May 2024.

They were signed on its behalf by

Alison Thain OBE
Director



The notes on pages 79 to 92 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2023

	Share capital £'000	Retained earnings £'000	Total £'000
At 1 January 2022	5,000	(5,448)	(448)
Issue of ordinary share capital	15,830	—	15,830
Total comprehensive loss for the financial year	—	(7,666)	(7,666)
At 31 December 2022	20,830	(13,114)	7,716
Issue of ordinary share capital	224,633	—	224,633
Total comprehensive loss for the financial year	—	(39,505)	(39,505)
At 31 December 2023	245,463	(52,619)	192,844

The notes on pages 79 to 92 form part of these financial statements.

STATEMENT OF CASH FLOWS
for the year ended 31 December 2023

	Note	2023 £'000	2022 £'000
Cash flow from operating activities	19	27,099	12,921
Cash flow from investing activities			
Purchase of properties		(511,975)	(2,287)
Grants received		10,041	—
Investment in subsidiaries		—	—
Interest received		2,309	5,259
Net cash used in investing activities		(499,625)	2,972
Cash flow from financing activities			
New share issues		224,633	15,830
Loans received		314,240	8,433
Loans repaid/advanced		(2,285)	(15,830)
Purchase financial instrument		(30,846)	(7,487)
Interest paid		(35,208)	(15,198)
Net cash received from financing activities		470,534	(14,252)
Net increase in cash and cash equivalents		(1,992)	1,641
Cash and cash equivalents at the beginning of the year		8,745	7,104
Cash and cash equivalents at the end of the year		6,753	8,745
Cash and cash equivalents consist of:			
Cash at bank and in hand		6,753	8,745
Total cash at bank and in hand	15	6,753	8,745

The notes on pages 79 to 92 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2023

1. ACCOUNTING POLICIES

Sage Rented Limited (the "Company") is a private company limited by shares, incorporated in the United Kingdom under the Companies Act 2006, and is registered in England and Wales. The Company is a Registered Housing Provider. The address of the Company is provided on the "Professional Advisers" section, on the IBC.

BASIS OF ACCOUNTING

The financial statements are prepared in accordance with FRS 102, The Financial Reporting Standard Applicable in the UK and Republic of Ireland ("FRS 102"), and the Housing Statement of Recommended Practice 2018 for registered social housing providers ("Housing SORP 2018") and comply with the Accounting Direction for Private Registered Providers of social housing from January 2022 (the "Accounting Direction 2022").

The Company does not meet the definition of a qualifying entity set out in FRS 102 and has not taken advantage of the disclosure exemptions available to such entities.

The functional currency of the Company is Pounds Sterling (£) because that is the currency of the primary economic environment in which the Company operates. The financial statements are presented in Pounds Sterling and are rounded to the nearest thousand pounds (£'000).

The financial statements have been prepared under the historical cost convention.

GOING CONCERN

The Directors have considered it appropriate to adopt the going concern basis of accounting in preparing the annual financial statements. The Directors can report that there are no material uncertainties to Sage Rented's ability to continue over a period of at least twelve months from the date of approval of the financial statements. This conclusion has been reached following a full review and scrutiny of the financial position of Sage Rented, review and assessment of the risks facing Sage Rented and potential mitigants, and discussions with Sage Rented's shareholder and investors who have confirmed their intentions to continue to support Sage Rented in line with the current business plan and have provided funding guarantee letters the Directors believe appropriate for Sage Rented's requirements.

To support this process, the Board has put in place a risk management and internal control system. The Board has determined the nature and extent of the principal risks it is willing to take in achieving its strategic objectives. The Board and the management of Sage Rented have maintained sound risk management and internal control systems.

The Directors can report that Sage Rented has a considered and well-developed business model to preserve and increase the value of Sage Rented's assets and to deliver the objectives of Sage Rented in the short and long term.

The Board keeps liquidity under constant review, a process that involves assessing short and long-term cash flow projections, as well as review of Sage Rented's business plan. In doing so, the Board can identify possible funding requirements and plan for these with Sage Rented's management, its shareholder and investors. Key assumptions underpinning the projections are regularly reviewed and updated and are subject to stress testing and sensitivity analysis including a review of the impact of reductions in income from shared ownership sales, future letting occupancy and constraints to future increases in debt funding availability.

As referenced in the Viability statement and their assessment of the impact of the current uncertainty caused by the economic downturn and funding requirements, the Directors have assessed Sage Rented's access to additional shareholder funding as well as debt financing and have a reasonable expectation that Sage Homes has adequate resources to continue in operational existence for at least twelve months from the approval date of these financial statements.

TURNOVER

Turnover represents rental and service charge income receivable (net of void losses) and amortisation of social housings grants in accordance with Housing SORP 2018.

Rent and service charge income is recognised on an "accruals" basis from the point when properties under development reach practical completion or otherwise become available for letting, net of any voids.

Social housing property grant income is recognised under the accrual model and is amortised over 100 years, starting from when the property is completed, in line with the Company's depreciation policy for the structure of rental-only social housing properties, and as required by Housing SORP 2018.

VALUE ADDED TAX

Value added tax ("VAT") is charged on income, which forms a taxable supply for VAT purposes and therefore the VAT incurred on related expenditure is recoverable. VAT is not recoverable on exempt supplies. Turnover is shown net of any VAT charged. The financial statements include VAT on expenditure, alongside the cost to which the VAT relates, to the extent that it is not recoverable from HMRC.

1. ACCOUNTING POLICIES continued

LEASED ASSETS

The total rental payable under operating leases is recognised on a straight-line basis over the lease term. The Company has not entered into any finance leases.

HOUSING PROPERTIES AND DEPRECIATION

All housing properties are classified as "rented" and are disaggregated into land, structure and a specific set of major components that require periodic replacement. Each component is recognised on the basis of materiality and if the useful economic life is substantially different from the rest of the structure. Depreciation of housing property components is charged so as to write down the cost of the components to their estimated residual value (the assumption is they are of no residual value), on a straight-line basis, over their estimated useful economic lives.

Component	Years
Housing structure	100
Roof	50
Windows and doors	25
Electrical and heating	25
Bathrooms	25
Kitchens	20
Boilers	10

Freehold land is not depreciated.

IMPAIRMENT OF TANGIBLE FIXED ASSETS

Tangible fixed assets (mainly housing properties) are assessed for indicators of impairment at each reporting date. Where indicators are identified, a detailed assessment is then undertaken to determine the asset's or cash-generating unit's ("CGU's") recoverable amount. The recoverable amount will be the higher of fair value less costs to sell, existing use valuation for Social Housing ("EUV-SH"), or value in use (in respect of assets held for their service potential) ("VIU-SP"). As allowed by Housing SORP 2018, the Company uses depreciated replacement cost ("DRC") as a reasonable estimate of VIU-SP.

Where the carrying amount of an asset or CGU is deemed to exceed its recoverable amount, the resulting impairment loss is recognised in other comprehensive income.

The Company defines CGUs as schemes, except where its schemes are not sufficiently large enough in size or where it is geographically sensible to group schemes into larger CGUs.

FINANCIAL ASSETS

Basic financial assets, including tenant debtors, other receivables, cash and bank balances are initially recognised at the transaction price unless the arrangement constitutes a financing transaction, in which case then the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting year, basic financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in the statement of comprehensive income.

INVESTMENT IN SUBSIDIARY UNDERTAKINGS

Investments in subsidiary undertakings are stated at cost in the Company's statement of financial position, less any provision for impairment in value.

SOCIAL HOUSING PROPERTY GRANT

The grants which have been provided by central and local government to part-fund the construction of the Company's social housing properties are recognised using the accrual model as required by Housing SORP 2018. These are treated as deferred income and amortised as detailed in the turnover policy. The amount due to be amortised in the following year is included in creditors due within one year. The original amount granted may become repayable if the conditions of the grant are not complied with. Social housing property grants, which the Company is entitled to and is reasonably certain of receiving, are included in debtors.

1. ACCOUNTING POLICIES continued

RECYCLED CAPITAL GRANT FUND ("RCGF")

The Company has the option to recycle social housing property grants which would otherwise be repayable to Homes England or the GLA to the RCGF. If the amounts set aside in this manner are not used to fund the development of new social housing within a three-year period, they again become repayable, with interest, unless a time extension or waiver is received.

The amounts held within the RCGF which are not anticipated to be recycled or become repayable within one year are included under "creditors due after more than one year". The remainder is included under "creditors due within one year".

FINANCIAL LIABILITIES

Financial liabilities, including trade and other payables, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, in which case the instrument is measured at the present value of the future payments discounted at a market rate of interest. These instruments are subsequently carried at amortised cost, using the effective interest rate method.

Financial assets and liabilities are only offset in the statement of financial position when, and only when, there exists a legally enforceable right to set off the recognised amounts and the Company intends either to settle on a net basis or to realise the asset and settle the liability simultaneously. Unamortised debt costs are offset against the loan to which they relate.

DERIVATIVE FINANCIAL INSTRUMENTS

The Company enters into derivative financial instruments to manage its exposure to interest rate risk, principally interest rate caps.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately irrelevant of whether the derivative is designated as effective hedging instrument.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

PROVISIONS

Provisions are recognised for liabilities of uncertain timing or amounts. Provisions are made for specific and quantifiable liabilities, measured at the best estimate of expenditure required to settle a legal or constructive obligation at the year-end reporting date.

INTEREST PAYABLE AND FINANCING COSTS

Interest payable is recognised over the term of the debt using the effective interest rate method so that the amount charged is at a constant rate on the carrying amount. Interest payable on loans is recognised in the statement of comprehensive income and not capitalised to housing properties. Finance costs are amortised across the length of the loan.

TAXATION

The tax charge represents the sum of current tax and deferred tax.

The current tax is based on taxable result for the year. Taxable result differs from net result as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable loss and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

The carrying amount of a deferred tax asset is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the year when the liability is settled, or the asset is realised. Deferred tax is charged or credited in the statement of comprehensive income, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

2. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the accounting policies, which are described in note 1, the Directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from those estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year, or in the year of the revision and future years if the revision affects both current and future years.

CRITICAL JUDGEMENTS IN APPLYING THE COMPANY'S ACCOUNTING POLICIES

The preparation of financial statements in conformity with FRS 102 requires management to exercise its judgement in the process of applying the Company's accounting policies. Judgements and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The following are the significant management judgements made in applying the accounting policies of the Company that have the most significant effect on the financial statements.

DETERMINING WHETHER AN IMPAIRMENT REVIEW IS REQUIRED

Determining whether there are indicators of impairment of the Company's housing properties, including those held as tangible fixed assets and current assets, requires judgement. The following are considered to be indicators of impairment, but other events may indicate that an impairment review is required:

- Any issue that was not identified as part of a development's appraisal which results in a material increase in the cost of the development;
- A change in government policy, regulation or legislation;
- A reduction in demand for a property (either by type or location, possibly evidenced by increased voids);
- A reduction in the market value of shared ownership properties; and
- Obsolescence of a property, (ie it is planned to regenerate the property by demolishing it).

As a result of the impairment consideration conducted at the year end, no indicators of impairment have been identified and no provisions have been required. Refer to note 10 for details of the housing properties balance subject to impairment review.

ESTIMATION UNCERTAINTY

There are no key estimates.

3. TURNOVER, COST OF SALES, OPERATING COSTS AND OPERATING LOSS

	2023			2022		
	Turnover £'000	Operating costs £'000	Operating (loss)/profit £'000	Turnover £'000	Operating costs £'000	Operating (loss)/profit £'000
Social housing activities						
Social housing lettings	37,221	(23,614)	13,607	26,983	(15,690)	11,293
Other social housing activities						
Charges for support services	—	(6,976)	(6,976)	—	(2,096)	(2,096)
	37,221	(30,590)	6,631	26,983	(17,786)	9,197

Of the total revenue above, £nil (2022: £nil) was derived from outside the UK.

4. INCOME AND EXPENDITURE FROM SOCIAL HOUSING LETTINGS

	2023	2022
	General needs £'000	General needs £'000
Revenue from social housing lettings		
Rents receivable net of identifiable service charges	36,770	26,744
Service charge income	236	172
Amortised government grants	215	67
	37,221	26,983
Expenditure on social housing lettings		
Management costs	(10,400)	(6,357)
Service charge costs	(230)	(756)
Maintenance and repairs	(5,117)	(2,793)
Bad debts	(61)	(253)
Depreciation on housing properties	(7,763)	(5,508)
Other costs	(43)	(23)
Operating expenditure on social housing lettings	(23,614)	(15,690)
Operating profit on social housing letting activities	13,607	11,293
Void losses	13	247

5. SAGE GROUP – KEY MANAGEMENT PERSONNEL

The Company does not employ any staff and all personnel services in relation to the operations of the Company are performed by Sage Housing Group Limited ("SHGL"), a related party within the Group; these services are recharged under its services agreement with Sage Rented Limited, and the other Registered Providers within the Group.

The costs disclosed below are to give a true reflection of the personnel costs of the Group and represent the key management personnel costs for the entire Group, a proportion of which are recharged to the various entities within the Group based upon their utilisation of the resources of SHGL and the costs incurred. The proportion of costs recharged is disclosed in note 4 and note 23. The key management personnel are defined as members of the Board, and any other person who is a member of the Executive Team.

The remuneration for the Group is summarised below.

	2023 £'000	2022 £'000
Non-Executive Directors' remuneration for the Group		
Remuneration	208	205
Social security costs	22	21
Total Non-Executive Directors' remuneration for the Group	230	226
Average number of Non-Executive Directors for the Group in the year	8	8
Executive Team remuneration for the Group		
Remuneration	3,327	2,721
Social security costs	450	378
Defined contribution pension contributions	65	52
Total Executive Team remuneration	3,842	3,151
Average number of Executive Team members for the Group in the year	7.7	6.3

During the year, defined contribution pension contributions were made for five (2022: four) key management personnel of the Group, totalling £54,000 (2022: £52,000). The Chief Executive is a member of the Company defined contribution pension scheme. He is an ordinary member of the pension scheme and no enhanced or special terms apply. The association does not make any further contribution to an individual pension arrangement.

5. SAGE GROUP – KEY MANAGEMENT PERSONNEL continued

The average number of full-time equivalent Directors during the year ended 31 December 2023 was nine (2022: nine).

	2023 £'000	2022 £'000
Remuneration of the highest-paid Director for the Group		
Remuneration (excluding pension contributions)	692	658
Pension contributions	10	17
	702	675

No Director of Sage Rented Limited is paid by the Company for their services to the Company. The table below shows the remuneration including pension contributions paid to each Director by Sage Housing Limited for their services to Sage Housing Limited, Sage Rented Limited and Sage Homes RP Limited, the three registered providers of the Sage Group. Shareholder representative Directors Gemma Katakya and Sydney Taylor are not paid for their services. Executive Director, Mark Sater, also receives no separate compensation for his Director role, and his remuneration relates to his role as Chief Executive Officer.

		2023 £'000	2022 £'000
Director remuneration (including pension)			
Director	Role		
Alison Thain OBE	Chair	69	51
Cedi Frederick	Independent Non-Executive Director	38	31
Cindy Rampersaud	Independent Non-Executive Director	38	29
David Godden	Independent Non-Executive Director	38	31
Gareth Llewellyn	Independent Non-Executive Director	38	31
Gemma Katakya	Non-Executive Director	—	—
John Brace	Independent Non-Executive Director	43	32
Mark Sater	CEO, Executive Director	702	675
Sydney Taylor	Independent Non-Executive Director	—	—
		966	880

6. EMPLOYEES' INFORMATION

The average monthly number of employees (incl. Directors) expressed as headcount and not full-time equivalents during the year was:

	2023 Number	2022 Number
The average monthly number of employees (incl. Directors) expressed as headcount and not full-time equivalents during the year was:	9	9

Other than Directors, the Company had no employees during the current year or the prior period.

No emoluments were payable to the Directors of the Company during the current year or the prior period by Sage Rented Limited. All personnel services in relation to the operations of the Company are performed by Sage Housing Group Limited, a related party within the Group. These services are recharged under the services agreement between the entities.

7. OPERATING PROFIT/LOSS

	2023 £'000	2022 £'000
Operating loss is stated after charging the following:		
Depreciation of housing properties	7,763	5,508
Auditor remuneration (exclusive of VAT) in its capacity as auditor of the Company ¹	74	67

1. No other services were provided by the auditor.

8. NET FINANCE EXPENSE AND SIMILAR CHARGES

	2023 £'000	2022 £'000
Interest receivable and similar income		
Interest income on loan facility	2,286	2,520
Interest income on retention notes	992	990
Revaluation of interest rate cap	—	449
Bank interest receivable	23	—
	3,301	3,959
Interest payable and similar charges		
Interest expense on loans repayable	(31,862)	(20,445)
Interest expense on amounts owed to Group undertakings	(779)	(1,255)
Revaluation of interest rate cap	(14,298)	—
	(46,939)	(21,700)
Net finance expense and similar charges	(43,638)	(17,741)

Sage Rented Limited utilises SONIA derivatives to cap its SONIA rate exposure related to the senior facility agreements with Sage Borrower AR1 Limited and Sage Borrower AR3 Limited, as detailed in note 17. Details relating to the interest rate cap derivatives are disclosed in note 13. At each reporting period these financial instruments are revalued and adjusted to their fair value.

9. TAX ON LOSS

	2023 £'000	2022 £'000
Current tax		
UK corporation tax at 23.5% (2022: 19%)	2,942	—
Adjustments in respect of prior periods	—	(1,002)
Tax charge/(credit) on loss on ordinary activities	2,942	(1,002)
Deferred tax		
Origination and reversal of temporary differences	(791)	121
Adjustments in respect of prior periods	347	—
Effect of changes in tax rates	—	3
	(444)	124
Total tax charge/(credit) for the year	2,498	(878)

9. TAX ON LOSS continued

The differences between the total tax credit shown above and the amount calculated by applying the standard rate of UK corporation tax to the loss before tax are as follows:

	2023 £'000	2022 £'000
Loss before tax	(37,007)	(8,544)
Tax on loss on ordinary activities at standard UK corporation tax rate of 23.5% (2022: 19%)	(8,705)	(1,623)
Effects of:		
– fixed asset differences	1,729	1,010
– expenses not deductible for tax purposes	17	3
– income not taxable for tax purposes	(51)	(12)
– corporate interest restriction	9,208	652
– adjustments to tax charge in respect of previous periods	—	(1,002)
– adjustments to tax charge in respect of previous periods (deferred tax)	347	—
– remeasurement of deferred tax for changes in tax rates	(47)	3
– movement in deferred tax not previously recognised	—	91
– Group relief claim	(1,524)	—
– Group relief payable	1,524	91
Total tax charge/(credit) for the year	2,498	(878)

The above taxation charge/(credit) is calculated on the basis that the Company will pay for or receive in full, any losses in respect of Group relief claimed or surrendered from Group undertakings.

An increase in the corporation tax rate to 25% effective 1st April 2023, was substantively enacted on 24th May 2021. The UK Corporation tax rate applied for the year was therefore 23.5% (2022: 19%). Deferred tax is calculated using the tax rate for the year in which the temporary differences are expected to reverse. The impact of the rate change is included above.

	At 1 January 2023 £'000	Movement in the year £'000	At 31 December 2023 £'000
Gross timing differences:			
Tangible fixed assets	(71)	(3,004)	(3,075)
Short-term timing differences – financial Instruments	(449)	4,807	4,358
	(520)	1,803	1,283

	At 1 January 2023 £'000	Recognised in income £'000	At 31 December 2023 £'000
Movement in deferred tax liability during the year:			
Tangible fixed assets	(18)	(751)	(769)
Short-term timing differences – financial instruments	(106)	1,195	1,089
Deferred tax asset	(124)	444	320

	At 1 January 2022 £'000	Recognised in income £'000	At 31 December 2022 £'000
Movement in deferred tax liability during the prior year:			
Tangible fixed assets	—	(18)	(18)
Short-term timing differences – financial instruments	—	(106)	(106)
Deferred tax liability	—	(124)	(124)

Deferred tax is calculated using the tax rate for the year in which the temporary differences are expected to reverse. An increase in the corporation tax rate to 25% effective 1st April 2023, was substantively enacted on 24th May 2021. The impact of the rate change is included above.

10. TANGIBLE FIXED ASSETS – HOUSING PROPERTIES

Housing properties
for letting
£'000

Cost

At 1 January 2023	422,328
Additions	511,975
At 31 December 2023	934,303

Depreciation

At 1 January 2023	(9,080)
Charge for the year	(7,763)
At 31 December 2023	(16,843)

Net book value

At 31 December 2023	917,460
At 31 December 2022	413,248

The net book value of completed housing properties which excludes work in progress and land banked comprises:

	2023 £'000	2022 £'000
Freeholds	859,216	394,874

11. INVESTMENT IN SUBSIDIARY UNDERTAKINGS

	2023 £'000	2022 £'000
At 1 January	15,895	15,895
Acquisitions	—	—
At 31 December	15,895	15,895

The total cost of investment in subsidiary undertakings is £15,895,000 (2022: £15,895,000). The total provision for impairment of investment in subsidiary undertakings is £nil (2022: £nil). Sage Borrower AR3 Limited was incorporated in the year and is carried at its cost value of £1.

The Directors believe that the carrying value of the investment is supported by the fair value of the net assets of the subsidiary undertakings.

The subsidiary undertakings of the Company are:

Name of undertaking	Class of shares	Shares held	Registered in	Principal activity
Sage Borrower AR1 Limited	£1 Ordinary shares	100%	England	Financing company
Sage Borrower AR2 Limited	£1 Ordinary shares	100%	England	Financing company
Sage Borrower AR3 Limited	£1 Ordinary shares	100%	England	Financing company

All subsidiary undertakings are registered at 5th Floor Orion House, 5 Upper St Martin's Lane, London, WC2H 9EA, United Kingdom.

12. DEBTORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2023 £'000	2022 £'000
Retention notes	11,000	11,000
Loan facility	78,486	76,200
	89,486	87,200

Retention notes were purchased on 21 October 2020. These notes accrue interest at 9%. Sage Rented is required to hold 5% of the bond notes (£11m) in regards to the senior facility agreement in note 17.

The Company supplied a loan facility to sister company, Sage Housing Limited, which is 100% owned by the immediate parent undertaking, Sage Investments Sàrl. The loan has a termination date of 9 October 2030 or is payable on demand, provided that Sage Housing Limited has sufficient funds and is able to demonstrate ongoing compliance with the Regulatory Framework. The facility remains at £100m (2022: £100m). The loan is unsecured and accrues interest at 3.0%. As at year end, the balance drawn on this facility is £78.8m (2022: £76.2m).

13. FINANCIAL INSTRUMENTS

Financial instruments consist of an interest rate cap derivative and is recognised at initial cost and fair value adjustments related to interest rate cap derivative which is acquired by the Company to manage its exposure to SONIA based interest rate risk on the senior facility agreement.

In accordance with the Company's policy to ensure the full balance is hedged using these derivatives, the Company acquired the interest rate cap derivatives following back-to-back agreements in December 2022 and August 2023 between Sage Rented Limited and Sage Borrower AR1 Limited and Sage Borrower AR3 Limited respectively. The agreements transfer all risks and rewards of the interest rate cap derivative from Sage Borrower AR1 Limited and Sage Borrower AR3 Limited to Sage Rented Limited on their respective dates. A similar cap is held by the Company's other subsidiary, Sage Borrower AR2 Limited in relation to the senior facility agreement held by that entity.

These financial instruments are revalued and adjusted to their fair value through profit and loss during each reporting period. Upon maturity, the cost and any subsequent fair value adjustments of each derivative will be recorded in full in the profit and loss statement. The valuations are performed by an external industry expert, credit risk is not taken into consideration as the valuation adjustment for credit risk is immaterial. Besides the initial cost of the derivative, no additional collateral is necessary, thereby eliminating any further risk for the Company.

The specific details and fair values of these derivatives are provided in the table below:

	Purchase date	Maturity date	Rate capped	2023 £'000	2022 £'000
Interest rate cap derivatives					
£308m interest rate cap	25 September 2023	15 November 2026	2.50%	15,157	—
£209m interest rate cap	17 November 2023	17 November 2024	0.75%	8,388	—
£209m interest rate cap	15 November 2022	17 November 2023	0.75%	—	6,998
				23,545	6,998

14. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2023 £'000	2022 £'000
Current tenant arrears	1,469	895
Amount owed from Group undertakings (note 23)	5,945	2,703
Deferred tax asset (note 9)	320	—
Prepayments	5,833	530
Other debtors	864	250
	14,430	4,378

Amounts owed by Group undertakings are unsecured, interest free and repayable on demand.

15. CASH AT BANK AND IN HAND

	2023 £'000	2022 £'000
Cash at bank and in hand	6,753	8,745

16. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2023 £'000	2022 £'000
Amount due to Group undertakings (note 23)	16,642	1,176
Deferred government grant (note 21)	184	67
Deferred tax liability (note 9)	—	124
Corporation tax payable	2,662	—
Accruals	6,466	4,224
Provisions	174	27
	26,128	5,618

Amounts owed to Group undertakings are unsecured, interest free and repayable on demand.

17. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2023 £'000	2022 £'000
Senior facility agreement (note 23)	801,205	487,766
Amounts due to Group undertakings (note 23)	29,703	28,903
Deferred government grant (note 21)	17,689	6,461
	848,597	523,130

	2023 £'000	2022 £'000
– between one and five years	812,940	499,032
– after five years	35,657	24,098
	848,597	523,130

The Company holds three senior facility agreements. In 2020, it borrowed £220,000,000 of financing from its subsidiary, Sage Borrower AR1 Limited, following a Social Housing Rental Secured Notes (CMBS-style) offering by an external company. The senior facility agreement is secured against properties held by the Company. The secured notes carry interest at various classes of notes which range from 1.25% to 9.0% (blended rate is SONIA plus 2.7%). The senior facility agreement is due to be repaid in full by the Company on 15 November 2025.

The senior loan facility between Sage Borrower AR1 Limited and Sage Rented Limited expires at this repayment date to enable the Company to satisfy this repayment obligation. Included within the balance is accrued interest of £2,099,000 (2022: £1,565,000). Unamortised loan transaction costs of £1,899,000 have been netted off against the senior facility agreement (2022: £2,944,000).

The Company entered into a second senior facility agreement in 2021 and borrowed £270,300,000 of financing from its subsidiary, Sage Borrower AR2 Limited, following a Social Housing Rental Secured Notes (CMBS-style) offering by an external company. The senior facility agreement is secured against properties held by the Company. The secured notes carry interest at various classes of notes which range from 1.00% to 3.25% above SONIA (the blended rate is SONIA plus 1.46%). The agreement includes Retention Notes held by Sage Borrower AR2 Limited which are serviced through an intrinsic rate of 5.88%. The senior facility agreement is due to be repaid in full by the Company on 10 November 2026. The senior loan facility between the Company and Sage Borrower AR2 Limited expires at this repayment date to enable the Company to satisfy this repayment obligation. Included within the balance is accrued interest of £1,957,000 (2022: £1,388,000). Unamortised loan transaction costs of £2,740,000 (2022: £3,477,000) have been netted off against the senior facility agreement.

The Company entered into a third facility agreement in 2023 and borrowed £308,000,000 of financing from its subsidiary Sage Borrower AR3 Limited, following the receipt of a bank loan. The senior facility agreement is secured against properties held by the Company. The bank loan carries interest of SONIA plus interest at 2.3%. The senior facility agreement is due to be repaid in full by the Company in September 2026, with the option to extend the repayment date to September 2028. Included within this balance is accrued interest of £6,004,000 (2022: £nil). Unamortised loan transaction costs of £4,324,000 (2022: £nil) have been netted off against the senior facility agreement.

The Company's weighted average interest rate for amounts owed to Group undertakings is 3% (2022: 3%). These intercompany loans are for a ten-year term. These loans are not secured on the assets of the Company.

18. SHARE CAPITAL

	2023 £'000	2022 £'000
Shares of £1.00 each issued and fully paid		
At the beginning of the year	20,830	5,000
Issued during the year	224,633	15,830
At the end of the year	245,463	20,830

The Company has one class of ordinary shares which carries no right to fixed income. In the year the Company issued 224,633,000 ordinary shares at £1.00 each.

19. NOTES TO THE STATEMENT OF CASH FLOWS

	2023 £'000	2022 £'000
Total comprehensive expense for the year	(39,505)	(7,666)
Depreciation	7,763	5,508
Net interest payable and similar charges	29,339	18,190
Fair value gains/(losses) on financial instruments	14,298	(449)
Taxation	2,498	(878)
Grant amortisation	(215)	(67)
(Increase)/decrease in debtors	(6,246)	67
(Decrease)/increase in creditors	19,447	(1,784)
Net cash inflow from operating activities	27,379	12,921
Tax paid	(280)	—
Total net cash inflow from operating activities	27,099	12,921

20. HOUSING UNITS

	2023 Number	2022 Number
Units owned and managed		
General needs rented housing – affordable	6,066	2,943
General needs rented housing – social	754	378
Total units owned and managed by the Company	6,820	3,321

21. CAPITAL GRANTS

	2023 £'000	2022 £'000
At 1 January	6,528	6,595
New grant recognised	1,518	—
Transfers from other sister Registered Providers	10,041	—
Amortisation	(215)	(67)
At 31 December	17,872	6,528
Amounts falling due within one year (note 16)	184	67
Amounts falling due after more than one year (note 17)	17,688	6,461

22. CONTINGENT LIABILITIES

The original amount of social housing property grants may become repayable. In addition to the amounts disclosed in creditors in note 16 and 17, £494,000 (2022: £127,000) of grant has been credited to statement of comprehensive income to date through amortisation. The timing of any future repayment is uncertain.

23. RELATED PARTY TRANSACTIONS AND BALANCES

Hedwig ASR Holdco Limited is the Company's immediate parent undertaking. Sage Investments 1 Limited is a 100% subsidiary of the Company's parent undertaking, Sage Investments Sàrl.

Sage Investments Sàrl provided the Company with an unsecured loan, the maximum value of which at any time was £29,703,000 (2022: £41,985,000). The outstanding balance at the year end was £29,703,000 (2022: £28,903,000). Interest is charged on an arm's length basis at 3%. This balance is classified as amounts due to Group undertakings in note 17.

Sage Housing Limited is a 100% owned subsidiary of the Company's parent undertaking, Sage Investments Sàrl.

In September 2023, the Company used financing supplied through a senior facility agreement with its subsidiary company, Sage Borrower AR3 Limited, to purchase 3,499 social housing units from sister Registered Provider, Sage Housing Limited. These units, and the associated arrears, were acquired at the cost price.

The Company provided Sage Housing Limited with an interest-bearing loan facility. As at the year end the facility had a maximum facility size of £100,000,000. The facility is unsecured and bears interest at 3%. The maximum drawn value of the facility at any time and the outstanding balance at the year end was £78,486,000 (2022: £76,200,000). This balance is classified as amounts owed from Group undertakings in note 12.

The Company also provided Sage Housing Limited with an additional interest-free loan which is redeemable on demand, the maximum value of which at any time was £7,101,000 (2022: £15,604,000). The outstanding balance at the year end was £nil (2022: £1,738,000). This balance is classified as amounts owed from Group undertakings in note 14.

Sage Housing Limited provided the Company with an interest-free unsecured loan, the maximum value of which at any time was £23,861,000 (2022: £393,000). The outstanding balance at the year end was £9,674,000 (2022: £nil). This balance is classified as amounts due to Group undertakings in note 16.

Sage Housing Group Limited is a 100% owned subsidiary of the Company's parent undertaking, Sage Investments Sàrl, and performs the function of the management company for the Group.

Sage Housing Group Limited provided the Company with an interest-free unsecured loan, the maximum value of which at any time was £7,416,000 (2022: £3,678,000). The outstanding balance at the year end was £6,968,000 (2022: £1,176,000). This balance is classified as amounts due to Group undertakings in note 16.

The Company provided Sage Homes RP Limited with an interest-free unsecured loan, the maximum value of which at any time was £87,000 (2022: £nil). The outstanding balance at the year end was £87,000 (2022: £nil). This balance is classified as amounts owed from Group undertakings in note 14.

Sage Borrower AR1 Limited is a 100% subsidiary of the Company. Sage Borrower AR1 Limited has provided the Company with a loan through a senior facility agreement, which is secured against the share capital of the Company. The maximum value of the loan at any time was £220,000,000 (2022: £220,000,000). The outstanding balance at the year end was £220,000,000 (2022: £220,000,000). The Company has accrued interest of £2,099,000 (2022: £1,565,000) in relation to this debt on the balance sheet. This balance is classified as a senior facility agreement in note 17.

The Company provided Sage Borrower AR1 Limited with an interest-free loan, which is repayable on demand, the maximum value of which at any time was £1,294,000 (2022: £9,732,000). The outstanding balance at the year end was £1,294,000 (2022: £279,000). This balance is classified as amounts owed from Group undertakings in note 14.

In December 2022, the Company completed an agreement with Sage Borrower AR1 Limited to allocate any and all benefits arising from the interest rate hedge acquired as per note 13.

Sage Borrower AR2 Limited is a 100% subsidiary of the Company. During the year Sage Borrower AR2 Limited provided the Company with a loan through a senior facility agreement, which is secured against the share capital of the Company. The maximum drawn value of which at any time was £272,106,000 (2022: £271,234,000). The outstanding balance at the year end was £272,106,000 (2022: £271,234,000). The Company has accrued interest of £1,957,000 (2022: £1,388,000) in relation to this debt on the balance sheet. This balance is classified as a senior facility agreement in note 17.

The Company provided Sage Borrower AR2 Limited with an interest-free loan, which is repayable on demand, the maximum value of which at any time was £4,563,000 (2022: £4,501,000). The outstanding balance at the year end was £4,563,000 (2022: £687,000). This balance is classified as amounts owed from Group undertakings in note 14.

Sage Borrower AR3 Limited was incorporated on 9 August 2023. Sage Borrower AR3 is a 100% subsidiary of the Company. During the year, Sage Borrower AR3 provided the Company with a loan through a senior facility agreement, which is secured against the share capital of the Company. The maximum drawn value of which at any time was £308,000,000 (2022: £nil). The outstanding balance at the year end was £308,000,000 (2022: £nil). The Company has accrued interest of £6,004,000 (2022: £nil) in relation to this debt on the balance sheet. This balance is classified as a senior facility agreement in note 17.

The Regis Group is a related party due to its minority shareholding in the Company's parent, Sage Investments Sàrl.

24. ULTIMATE PARENT COMPANY AND CONTROL

The Company's parent undertaking is Hedwig ASR Holdco Limited, a company registered in the United Kingdom. This forms the smallest group and for which Group accounts are prepared. At 31 December 2023, the Company's ultimate parent undertaking and controlling party was The Blackstone Group International Inc, which is the largest group for which Group accounts are prepared.

As at 31 December 2023, Regis Group Holdings Limited had a 10% shareholding in Sage Investments Sàrl, with the remainder being owned by Rosemary Holdco Sàrl, a subsidiary of The Blackstone Group International Inc.

25. GROUP ENTITIES

Name of undertaking	Company number	RSH Number	Principal activity
Active			
Hedwig ASR Holdco Limited	11215928	n/a	Intermediate holding company
Sage Investments 2 Limited	11215930	n/a	Intermediate holding company
Sage Housing Limited	05489096	4636	Ownership, development and management of housing for affordable lettings and shared ownership sales
Sage Homes RP Limited	11217910	5082	Ownership, development and management of housing for affordable lettings and shared ownership sales
Sage Housing Group Limited	11415740	n/a	Management company
Sage Borrower AR1 Limited	12851394	n/a	Financing company
Sage Borrower AR2 Limited	13667153	n/a	Financing company
Sage Borrower AR3 Limited	15059835	n/a	Financing company
Dormant or inactive			
Sage Housing Partnerships Limited	11519756	n/a	Inactive
Sage Green Homes Limited	15028573	n/a	Dormant
Sage Investments 3 Limited	14400115	n/a	Dormant
Sage Investments 4 Limited	15023842	n/a	Dormant
Sage Investments 5 Limited	15024123	n/a	Dormant
Sage Investments 6 Limited	15024504	n/a	Dormant
Sage Places Limited	15028673	n/a	Dormant
Sage Shared Ownership Limited	14400040	n/a	Dormant

All of the above entities are incorporated in England.

26. POST YEAR END EVENTS

On 19 March 2024, Sage Rented Limited reduced its issued share capital by special resolution from £245,463,391 to £24,546.34 by cancelling and extinguishing capital to the extent of £0.9999 on each issued fully paid up ordinary share of £1.00 in the Company, and thereby reducing the nominal value of each issued fully paid up ordinary share from £1.00 to £0.0001.

No other significant events occurred after the reporting period, but before the financial statements were authorised for issue.

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Sage Rented Ltd's commitment to environmental issues is reflected in this Annual Report, which has been printed on Symbol Satin, an FSC® certified material.

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