

Homes to build lives in

SAGE RENTED LIMITED

ANNUAL REPORT AND
FINANCIAL STATEMENTS 2021



We are proud to be helping to address the housing affordability crisis in the UK

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Find out more online

→ www.sagehomes.co.uk

Financial highlights

TURNOVER

£13.5m

+541%



2020's acquisitions aligned with 1,172 new affordable homes acquired, driving turnover.

INVESTMENT IN AFFORDABLE HOMES

£225m

+15%



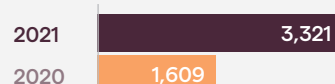
1,712 new, affordable and social rental homes acquired from our sister company, an increase over 2020.

Operational highlights

PORTFOLIO SIZE

3,321

+106%



The portfolio more than doubled through a transfer of new affordable homes from Sage Housing Limited.

Sage Homes is a trading name of Sage Rented Ltd and of other companies in the Group.

In this report 'Sage' or the 'Company' refers to Sage Rented Limited registered at Companies House Number 11217855, Regulator of Social Housing ("RSH") Number 5083. 'Group' or 'Sage Group' refers to the companies shown in note 24 in the financial statements, acting together.

2021 successes

We brought our commitment to excellent customer service to more people by more than doubling the affordable rental homes we own to 3,321. We took pride in supporting everyone who moved into our high-quality, energy-efficient homes in safe and secure communities – offering a warm welcoming home, in places where people can thrive.

OUR NUMBERS

3,321

modern, high-quality and energy-efficient homes owned

1,712

newly-built homes acquired

£225m

invested in new home purchases

£281m

of first-of-a-kind sustainable secured notes placed

98%

of our homes rated EPC A or B

£13.5m

of turnover, a growth of 541% over last year

OUR MILESTONES

- ✓ We acquired 1,712 affordable and social rental homes for £225m, growing our portfolio to 3,321
- ✓ We innovatively utilised a £281m first-of-a-kind sustainable rated securitised notes offering to fund our newly-acquired rental homes
- ✓ We strengthened our Board with three new Non-Executive Directors, bringing more expertise and diversity to our Board
- ✓ We established the Sage Customer Scrutiny Panel to provide a strong voice of the customer within the Company

Homes to build lives in

Biola's Sage story

RENTAL CUSTOMER, SUSSEX

"Finding this home with Sage means security, peace of mind, having my own space and affordable rent. It is wonderful." said Biola, our resident.

Biola found herself in a difficult financial situation when she separated from her partner. They used to rent a flat together in the private sector. But just like so many people these days, she could not afford to do that on her own. Biola found a temporary tenancy in social housing, where she stayed for two years. After that, she had to find another place to live.

Then, after a time on her local council's housing list, she was offered a new Sage apartment.

"The process of moving in was great," she said. "The housing and letting officers were really helpful and made the process very easy. The flat is gorgeous. It is all brand new."

She added: "It is a really lovely flat, and I am so glad I got a Sage Home."



"The housing and letting officers were really helpful and made the process very easy. The flat is gorgeous. It is all brand new."

Our purpose, mission and values

Our purpose

PROVIDING HOMES, INSPIRING CHANGE, IMPROVING LIVES

Our purpose is to provide high-quality, well managed and customer-focussed affordable housing. We are proud to be working to help address the housing affordability crisis in the UK. We are bringing significant, stable capital to the sector, enabling increased access to high-quality affordable homes for the people who need it most.

Our mission

WE WANT TO BE A LEADER IN THE AFFORDABLE HOUSING SECTOR, WITH A REPUTATION FOR PROVIDING GOOD HOMES

Everyone needs a home. Our mission is to bring high-quality, modern and environmentally-friendly homes within the reach of more people. That means making our homes affordable to rent, to maintain and to live in.

We support people so that they can achieve long-term stability, be happy in their homes and thrive within their community. We are building a Company culture that cares about our customers, our people, our planet and for the positive contribution we make to society. To do that, we have an ambitious environmental, social, and corporate governance strategy.

Our values

HOME FOR EVERYONE, POWERING POSITIVE IMPACT AND ENTERPRISING TO GROW

HOME FOR EVERYONE

Whether it's for our customers or our colleagues, we give people the confidence to live life to the fullest by creating a sense of belonging, a sense of home for everyone.

POWERING POSITIVE IMPACT

We care about the impact we have on others and on the planet. We create safe, environmentally friendly places for people to grow and thrive in.

ENTERPRISING TO GROW

Our entrepreneurial spirit combined with our technical expertise has got us to where we are and will enable future sustainable growth.

Fulfilling our promises

Sage Group was conceived fewer than five years ago, with the aim of playing a leading role in addressing the country's affordable housing crisis. In 2021, the Group became the largest provider of new-build affordable homes in England.

What makes us different

By the end of 2021 The Sage Group had committed to provide nearly 18,000 new affordable homes, this was ahead of our 2021 target. Sage Group is not stopping there; we now have a new target to deliver 30,000 homes by 2030.

This was made possible by our dedicated teams and partners working together across our business and the wider sector.

Nearly

18,000

new affordable homes committed to by the end of 2021; and

30,000

homes to be delivered by 2030 by Sage Group.

We're all about affordable housing

All our rented homes are let at discounts to market rates and are let to individuals and families on local council housing waiting lists who have been identified as being in housing need.

Customer-first approach

Top quality customer service is of the utmost importance. It defines what we do, from how we are funded, to how we do business with our partners.

With our customers at the forefront we are adopting a fresh digital approach. All of our rental and shared ownership customers have access to our digital portal to make payments, log service requests or message customer services. Our rental homes are managed by Places for People, a sector leader in the provision of housing and housing services which holds the highest sector ratings for governance and financial stability (G1 V1).

Strong governance and funding

Sage's Board has a majority of independent members. It also has strong experience of the sector and a robust risk management and control framework. Through our sustained focus on our customers, we already aim for the highest levels of compliance with the Regulator of Social Housing's standards. We have voluntarily adopted the rigorous Financial Reporting Council's UK Corporate Governance Code. Our commitment to the best environmental, social and governance ("ESG") practice is at the heart of how Sage is already working now.

Bringing new capital into the sector and taking a long-term approach

Sage was established to create a long-term affordable housing platform. Ever since our inception, we have attracted new, high-quality, and much-needed finance into affordable housing. At scale, our success improves our customers' lives and provides sustained growth for our investors. It also encourages additional investment from private capital focussed on a socially responsible area of the property sector.

The meaningful, stable financial commitment from our investors stands out. Registered Providers have traditionally lacked such a secure and expandable growth-capital base.

We only acquire new-build properties. We have oversight of construction through our sister Company Sage Housing Limited and before the homes are handed over to our customers, we ensure that they meet our standards. All our homes add vital affordable housing capacity to England, as the country struggles to keep pace with demand.

Value for money is a priority throughout our business, to make the most of our investors' capital and our income from customers.

We believe the sector needs a mix of business models, including our own, to increase investment in new affordable housing. We care about making sure our housing stock is of excellent, long-lasting quality, benefiting customers and investors alike.

Building value for our stakeholders

Our values and relationships for...

...customers

Our customers are at the heart of our business. They are often people most in need of finding a home. We are proud to offer them a range of one to five bedroom properties via Affordable or Social Rent. We are committed to providing everyone with modern high-quality, energy-efficient homes which are backed by excellent service. We operate across England as a Registered Provider of social housing. We are not active in the private open market; we are solely focussed on affordable housing.

We continually invest in our stock, so our high standards apply throughout the lifetime of a home. Already, 98% of Sage homes have high environmental sustainability ratings of A or B on their Energy Performance Certificates. This can allow our customers to save up to an estimated £460 a year in energy bills, compared to the average UK home that is EPC D rated. Despite the challenges caused by COVID restrictions, the Sage team continued to deliver high-quality services to customers, working with our developer partners to close 5,759 defects in 2021 across The Sage Group to ensure that our homes meet our high standards.

In response to rising inflation, we have developed a new customer support centre on our website (visit sagehomes.co.uk) for any of our residents with concerns about the cost of living. It provides debt and benefits calculators, online budgeting tools, and access to money management advice services.

...housebuilders

We are a trusted business partner. We believe that housebuilders find it straightforward to reach agreement on new developments and work with Sage over the life of our partnership. We work closely with housebuilders to ensure our homes are as sustainable as possible.

...our people

Our colleagues are the soul of Sage. We treat everyone with respect. We motivate, recognise, and reward our employees who in turn embrace our culture and values. We have active groups that work to promote diversity and inclusion and a wellbeing committee to promote mental and physical health. Our Sage Together initiative combines a fun social calendar outside work with organised fundraising activities in aid of good causes.

...local authorities

Providing affordable homes in partnership with local authorities is about more than honouring their planning requirements and housing targets. We take pride in working in a way that is specific to each council area. We develop thoughtful, flexible, and innovative solutions, based on strong, long-term relationships.

Our partners work alongside Sage employees to provide high-quality affordable homes and excellent service

...partners

We carefully select our business partners and take pride in our strong relationships with them. Our partners work alongside Sage employees on the products, services and expertise needed to provide high-quality affordable homes. From trusted local sales agents to our national property management partner, Places for People, we work collaboratively to provide excellent service for all our customers via straightforward, accessible routes.

...more new affordable homes

In 2021 Sage Group worked hard with our partners to ensure that additional affordable homes were delivered wherever possible. Sage only delivers affordable homes and is passionate about ensuring that as many are brought forward for those that need them as possible. Sage Group's partnership with Homes England has already delivered 413 homes that would otherwise not have been affordable, with a total delivery pipeline of 1,909 homes. Sage Group's partnership with Optivo has allowed them to expand their affordable homes development programme, said Chief Executive Paul Hackett "By bringing together Optivo's housing management expertise and Sage's investment capacity, we can provide more high-quality affordable homes for people in housing need. We'll be re-investing the proceeds in high-quality, land-led affordable housing schemes. At a time when housing associations are facing major financial pressures, partnerships like this allow us to keep delivering on our mission of building much needed affordable homes."

...regulators

Sage follows both the letter and the spirit of the requirements in the regulated sector in which we operate. As a Registered Provider, we comply with the stringent governance provisions overseen by the Regulator of Social Housing. We always aim for the highest levels of compliance with the Regulator's standards.

...charity partners

Sage believes in giving back to society and the communities we serve. We partner with charities that specialise in addressing a wide range of needs to deliver social value. In 2021 the Sage Group donated £25,000 to Laidaid which works to tackle homelessness among young people.

We also supported StepChange, the UK's leading debt advice charity. It helps over 630,000 people each year deal with money worries and take back control of their lives. Their service is free, impartial and they never judge. Every client receives expert personalised advice to help them deal with their debts.

...the planet

Lowering the environmental impact of both our operations and customers is a crucial part of our ESG strategy. We work closely with housebuilders to ensure our homes are as sustainable as possible. Our energy-efficient homes (98% EPC A or B rated) require less energy to heat and keep warm, which means fewer carbon emissions from heating and lower energy bills for our customers. Over the next year we will work with our partners to ensure we are focusing on our wider environmental impacts through climate action, material procurement and reducing waste.

Our strategic pillars



1 CUSTOMER FOCUS

Customers are at the heart of our business and why we do what we do

- enhance the customer experience through even closer engagement and improved technology
- further improve reporting to customers and feedback through a Customer Scrutiny Panel framework
- build a virtuous circle for customer experience with insight and data supporting improved outcomes



2 CULTURE AND PEOPLE

Sage is an inclusive employer and our employees embrace our values

- drive a strong Sage culture throughout the organisation with new ways of working established
- promote diversity and inclusion through all our activities
- get closer to customers, with a national outlook

Our Corporate Plan

Our target is to grow our affordable rental portfolio to 13,766 homes by 2030.

We plan to...

Strategy in action

During 2021 we worked hard under each strategic pillar to deliver our Corporate Plan.

We have...

- ✓ an up-sized and improved customer service team, led by our Chief Customer Officer, putting customers at the heart of what we do
- ✓ established a Customer Scrutiny Panel to ensure transparency to our customers
- ✓ clearer design and refreshed technology to make our websites easier and quicker to use
- ✓ an improved customer newsletter providing better engagement with more up-to-date and useful information

- ✓ launched a new annual employee survey which will inform our new employee engagement initiatives
- ✓ drawn up a new set of Company values following workshops with employees
- ✓ rolled out our new customer service training programme
- ✓ refurbished our offices to allow flexible working



3 FINANCE, RISK AND CONTROL

Sage is committed to value for money. Managing risk is central to our approach

- diversify our funding base as our self-financing strategy progresses
- embed the culture of risk awareness, control and mitigation from the Board and down through the organisation, enabled by technology
- review our financing approach to ensure reduced cost and a diversity of sources

- ✓ carried out a comprehensive review of risk appetite by the Board
- ✓ introduced risk registers for key areas of the business
- ✓ appointed a new head of health and safety and introduced a company-wide Health & Safety audit
- ✓ set up a dedicated system for risk management
- ✓ utilised a £281m first-of-a-kind sustainable securitised notes offering
- ✓ continued to innovate with the development of new financing instruments



4 OPERATE WELL

Sage's relationships are built on transparency and trust. Sage strives for the highest standards

- increasingly use technology to improve quality and reduce the burden on our people
- develop unique data analytics capability to our advantage
- develop operational flexibility in housing management
- use a culture of value for money to improve services and reduce costs

- ✓ set out our new ESG strategy including a range of clear commitments
- ✓ improved the way we look after our colleagues with Mental Health First Aiders
- ✓ adopted the Coupa purchase-to-pay system to streamline payments to suppliers and improve controls
- ✓ deepened our understanding of our local authority partners via a new perceptions survey and increased engagement



5 STRONG GOVERNANCE

We are committed to the highest levels of corporate governance

- maintain a strong Board with control of Sage's activities, enhanced through improved reporting and analytics
- optimise the corporate structure to efficiently support Sage's operational and financial activity
- further improve management diversity, inclusion and equality

- ✓ expanded our Board with three new Non-Executive Directors
- ✓ added more diversity and gender equality to our Board
- ✓ appointed a Senior Independent Director
- ✓ further improved Sage's monitoring and reporting of value for money
- ✓ established regular meetings and workshops with our new partners to keep everyone informed and engaged
- ✓ established a Customer Scrutiny Panel

Managing performance

NEW AFFORDABLE HOMES ACQUIRED

1,712

+6%



1 4

DESCRIPTION

Acquiring new affordable homes for families and individuals is a key measure of our performance.

PERFORMANCE

Sage purchased a further 1,712 new-build rental homes from Sage Housing Limited, more than doubling the homes owned.

OPERATING PROFIT

£4.5m

n/a



1 3 4

DESCRIPTION

Efficient management of affordable rental homes in high numbers.

PERFORMANCE

Establishing a solid rental base to fund our tenant service operations and portfolio maintenance.

NET INVESTMENT MADE IN NEW AFFORDABLE HOMES IN THE YEAR

£225m

+15%



1 3 4

DESCRIPTION

Building our portfolio of new homes requires significant investment of capital.

PERFORMANCE

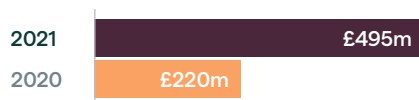
Continued growth in new affordable homes investment.

INCREASING FINANCING EFFICIENCY

External debt financing

£495m*

+125%



1 3 4

DESCRIPTION

Using appropriate debt financing allows us to increase the scale of our investors' commitment to providing new affordable homes.

PERFORMANCE

Building upon 2020 financing, the homes acquired in November 2021 were used as security to enable a further £281m of first-of-a-kind securitised notes offering.

* The total payable by Sage.

BUILDING SAGE'S TEAM

Sage Group Employee headcount

225*

+54%



1 2

DESCRIPTION

To enable our growth and to achieve our strategy and goals, we continued expanding our team significantly.

PERFORMANCE

During 2021 we increased our headcount by 79 colleagues, adding high-calibre expertise across our business from a diverse background.

* Total employee headcount of the Group.

CORPORATE COMPLIANCE

Governance framework

Sage is compliant with:

- FRC UK Corporate Governance Code (subject to explanations)
- RSH Governance and Viability Standard

Increased Board diversity

5

Link to strategic pillars

- 1 Customer Focus
- 2 Culture and People
- 3 Finance, Risk and Control
- 4 Operate Well
- 5 Strong Governance

A transformational year with significant growth to become England's largest provider of newly-built affordable homes



This has been an exciting and productive year for Sage, despite the economic and social challenges faced by everyone. Throughout 2021 we continued to grow successfully as a business and Sage as a Group delivered 3,287 affordable homes across 179 sites.

I am incredibly proud of all our employees who have strived so hard to keep us on course, despite the twin challenges of Covid and economic uncertainty, whilst remaining focussed on serving our customers. The Board and I want to extend our heartfelt thanks to everyone at Sage for not only meeting the goals we set ourselves, but significantly exceeding them.

Sage has grown considerably as an organisation in 2021. Most of our employees joined us during Covid restrictions, some never having met one another face-to-face. However, this did not stop them coming together and delivering for Sage, our customers, and our stakeholders.

The Board and I spent time in the year reviewing the strategy and setting the tone for Sage. We considered our organisational purpose and defined values for the Company. These are rooted within our own culture, and having been developed from our employees' insights, they reflect the spirit of our people and have been endorsed by the Board, our Investors and the leadership team future direction of Sage. Having come through the recent adversity, it has been important to me to capture and set out what it is that makes Sage special. The purpose, mission and values we shaped, enshrine the importance of our focus on customers and our corporate ambition. They create a high standard for us all to live up to.

In 2021, as ever, we put customers first, with projects to improve customer experience and delivery, investment in customer technology and the continued development of our partnerships. We also prioritised Environmental Social and Governance, drawing up our ESG strategy and plans for the years ahead.

We prepared for the longer-term, setting out our 30-year corporate plan, which establishes our ambitions and how to reach them. We understand the path we want to take and the challenges we expect along the way, setting up our future success with ambitious new targets, as explained throughout this document.

In July 2021, I was pleased to welcome three new Non-Executive Directors to our Board: Cedi Frederick, Cindy Rampersaud and Gareth Llewellyn. They extend the diversity of our Board, and their wealth of experience is already helping to support the implementation of Sage's sharper customer-focused approach. They will help ensure that the business maintains its high standards as it continues to grow.

We added more talent to the Sage Leadership Team with the introduction of a Chief Customer Officer role to keep driving our customer agenda, prioritising excellent customer service as we evolve as will our new mechanism for feedback to the Board directly from our customers. The Customer Scrutiny Panel, chaired by Cedi Frederick, will provide a powerful voice at Sage and help improve products and services and the overall Sage customer experience.

I am happy to announce that we have established a successful employee forum, Sage Together, which champions Health and Wellbeing for our employees as well as promoting Diversity and Inclusion. I meet with them regularly and discuss the work that they are doing to represent our employees and make Sage a great place to work.

And finally, I would like to reinforce my thanks to all of our colleagues, our Board and our investors who continue to support us enthusiastically and without whom none of our achievements would have been possible.

Alison Thain OBE
Chair
23 May 2022

Most importantly, we seek to improve lives



I am proud of what we have delivered for our customers in 2021, especially in a year affected by Covid and other challenges. Throughout these difficult times, our customer numbers have grown significantly, and we have grown and adapted to support them.

In a year where 60% of our workforce were new to the Sage Group, we have expanded and improved our customer service provision. We have reviewed and defined our purpose: home for everyone, inspire change and improve lives.

We have also undertaken extensive research into the Sage culture through a workforce engagement survey and the Company values review. This emphasised how passionate our workforce is about the work we do, and this will be reflected in the new Sage brand and corporate values being launched in 2022.

As we have expanded our team, we placed Diversity and Inclusion at the core of this growth. The shortlists for all senior manager roles recruited in 2021 was 56% female, and 20% of the shortlists were diverse candidates – numbers we will continue to improve upon.

The progress we are making at Sage is thanks to a careful blend of skills and experiences. We are fortunate that about a third of our team come from the affordable housing sector, mixing well with those from the private sector, and 40% from businesses operating in regulated environments.

PROVIDING HOMES

With customers at the heart of all we do, our core purpose is to provide high-quality, energy-efficient new-build affordable homes and combine this with a first-class customer experience.

For Sage as a group, 2021 saw an acceleration in our commitment to provide such homes, with 5,295 new homes committed to in the year, bringing our total to nearly 18,000 and nearly £3bn of investment. This takes us close to the 20,000 new affordable homes goal we set ourselves when Sage was inceptioned, and we were pleased to announce that, in partnership with our investors and the Board, we have now raised this goal to 30,000.

Committing to providing new affordable homes means the Sage Group also needs to ensure they are delivered with high-quality by our housebuilder partners to our customers. In 2021, we took delivery of 3,287 new homes an increase of 52% over last year. This made us the leader in the delivery of new-build affordable homes in England. All our homes are in good locations, and compliant with our Environmental and Social Governance standards, with 98% having an Energy Performance Certificate (EPC) rating of A or B.

During 2021 Sage Rented Limited purchased a further 1,712 affordable rental homes from its sister company, Sage Housing Limited.

Sage only lets our affordable and social rent homes to those nominated by local councils from their waiting lists, being those individuals and families that are in the highest levels of housing need.

Ensuring Sage's homes are safe and well-managed and maintained is core to our operations. We were 100% compliant on fire, gas and lift safety requirements and during the year we introduced the True Compliance system to ensure we maintain these high standards as we grow. We also completed and published our Asset Management Strategy which details how Sage surveys homes and maintains them to a high standard both today and into the future.

Delivering a new Sage home to our customers in a high-quality way is one of the first, as well as one of the most important steps in the Sage experience. There are however many steps to delivering a first-class experience, so we have now fully-mapped the journey of our customers and have put in place improvement plans. To ensure we understand how we are performing in the eyes of our customers we comprehensively revised our customer survey capability so we can truly understand how to service customers better. We are aligned to the metrics used by all Registered Providers and are starting to build a leading customer-centric organisation.

We provide a wide range of homes, from flats to larger family homes in new developments filled with customers with new hopes and aspirations. We have an obligation to help all of these different customers build something new of their own – a community. Sage doesn't build communities, our customers do, which is why it is so important to have the voice of our customers heard within the company. Our newly-established Customer and People Committee and our Customer Scrutiny Panel have allowed us to welcome the voice of the customer directly into Sage. This voice will enable us to continue

“Our team and our partners prioritised the needs of our customers to ensure service quality remained high.”

to evolve and improve our customer service and focus on the elements our customers tell us are most important to them.

Since inception, Sage has sought to deliver service via the routes our customers wish to use. As well as in-person formats our customers tell us that they wish to see high levels of digitally-led interaction as they do in other aspects of their lives. We have thus been investing heavily in, and improving, our digital interfaces in areas such as a portal for reporting defects, online payment functionality, the launch of a shared ownership website and user experience improvements for the Corporate Website. Further upgrades will be delivered in 2022.

INSPIRING CHANGE

Sage as a group is seeking to change how for-profit registered providers partner with central and local government and traditional housing associations to increase the number of new affordable homes delivered in England. During the year Sage Group partnered with Optivo, one of the country's largest housing associations, to deliver 420 new affordable homes that Sage will own and Optivo will manage. The Group also partnered with the London Borough of Barnet to build and manage 142 new affordable homes on behalf of Sage.

The Sage Group is also seeking to increase the number of new affordable homes beyond those allocated under traditional planning routes. In 2021, our sister Company, Sage Housing Limited, were approved by the Secretary of State and by Homes England as a Strategic Partner with a grant allocation of £73.5m to support the building of 1,750 affordable homes that would have otherwise been destined for private sale.

During the year we defined a new Environmental, Social and Governance strategy bringing together our work in this area to enhance our reputation as a leading Registered Provider in sustainability. We are working to improve our homes, with our house building partners to trial low carbon solutions, exploring the sustainability benefits of modular construction and we will pilot building performance measurement to compare 'as designed' with 'as built' performance.

Since inception, Sage has sought to bring new sources of capital to the affordable housing sector. Following on from the successful 2020 offering, we facilitated a second securitised notes offering in November 2021. This £281m offering was rated 'sustainable', a European first for this financing format. The investors supporting Sage included a number who had not previously invested in the sector.

IMPROVING LIVES

Most importantly, we seek to improve lives. Over 70% of our rental homes are occupied by females in their 30s with the majority of homes including children. Living in a stable, high-quality energy-efficient home enables all our customers to take advantage of the opportunities our society affords them in areas such as employment, education and social interaction. Many studies have shown that bad housing (lacking stability or quality) affects children's ability to learn at school and study at home. Children who grow up in unstable housing are two to three times more likely to be absent from school than other children due to the disruption caused by moving into and between temporary accommodation. So, providing high-quality, energy-efficient homes at scale, is critical for many of our customers to build a strong and stable base to improve their lives.

The case studies and customer stories included in this report show the difference we can make, enhanced by the charity work Sage undertakes. Our customer satisfaction surveys, and our customer research, also show the outcomes our sense of purpose creates.

I would like to take this opportunity to offer a huge thank you to all members of the Sage team. I am a witness to the extraordinary levels of hard work and dedication that colleagues have applied to building Sage into such an incredible organisation in just a few years. It is a tribute to your remarkable efforts that so many people now have a place they are proud to call their 'Sage Home'.

In conclusion, despite the challenges of 2021, Sage performed well against its targets but we recognise we have areas for improvement and are focussed on these. Our team and our partners prioritised the needs of our customers to ensure service quality remained high, and I thank them all for this. In 2022, as a group, we will continue to provide sector-leading numbers of newly-built, high-quality affordable homes all over England and deliver a first-class customer experience to all our customers.

Mark Sater
Chief Executive Officer
23 May 2022

Homes to build lives in

Natalie's Sage story

A PROFILE OF A CUSTOMER SCRUTINY PANEL MEMBER

Like many of our customers, Natalie, a civil servant and one of our Customer Scrutiny Panel members, has a story to tell.

In 2014, she left her partner, taking her son with her and only £6.50 in her pocket. She found herself without a home, belongings, furniture and isolated from friends and family. She was also battling mental health issues.

Since then, she has rebuilt her life, found a home, achieved promotion at work, and ensured that her son had all the counselling and support he needed. She has reconnected with friends and family. She has also found support and counselling for herself.

Natalie now lives in one of our homes and is key member of our Sage Customer Scrutiny Panel. She guides and advises us on what it is to be a customer of Sage and how we can improve what we do to make our services better. She is an incredibly valuable member of our Scrutiny Panel and we're very grateful for the time she gives to us.



“Getting my Sage home had a massive impact on my mental health break down recovery; it’s so much better than where I lived before. My new home makes me feel safe and comfortable, and it has really helped me turn my life around.”

Environmental, Social and Governance

Environmental, Social and Governance ('ESG') standards are helping Sage take positive action now, for the benefit of our customers and the wider communities we serve. The impact of ESG will help Sage create homes for future generations. We believe it's the right thing to do.

At Sage, we are creating Homes for Future Generations through positive action on climate, communities and customers. We believe it's the right thing to do; that's why we'll be setting carbon reduction goals for all our operations and activities, focusing on social impact, and working with our suppliers and customers on new innovations to bring meaningful change.

2021 achievements

- ✓ utilised a £281 million first-of-a-kind sustainable-rated securitised notes offering
- ✓ 98% of homes in the rental portfolio are now A or B rated
- ✓ ensured all communal spaces in our properties are on a green energy tariff
- ✓ Sage Group donated over £45,000 to charity partners
- ✓ provided over 1,130 hours of instructor-led training to our staff across the Group
- ✓ revitalised our health and safety policy and management system training
- ✓ simplified risk assessment and inspection tools
- ✓ set up our Customer Scrutiny Panel

2022 ambitions

- working with partners to trial low-carbon technology
- increasing the energy efficiency of some of our existing housing
- launching our Sage Together Community Fund
- creating a social impact methodology to measure Sage's social impact
- engaging staff in Diversity and Inclusion and Wellbeing initiatives
- working with our partners to develop minimum supplier standards

Homes to build lives in



Sustainable, social and green bond

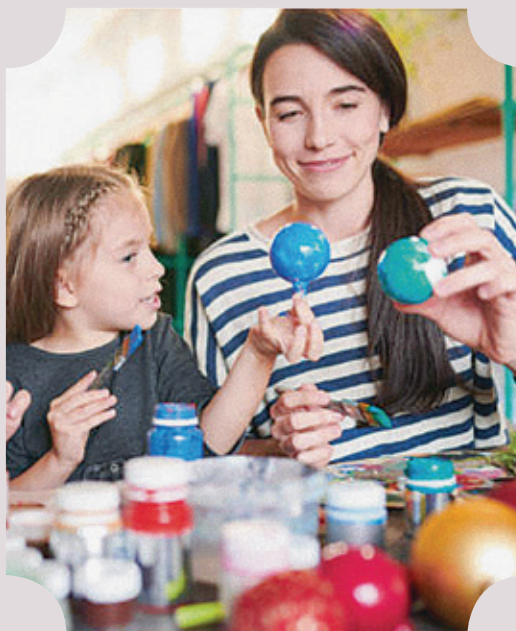
In 2021 Sage successfully facilitated a £281 million first-of-a-kind sustainable-rated securitised notes offering. The bonds are linked to both social and environmental criteria and aligns with Sage's commitment to deliver all properties to energy performance standards and launch a wide-ranging ESG strategy, which helps us keep costs down for customers and offer clarity on our positive social impact for investors.

“We are proud that the latest bond offering has received a sustainable, social and green bond designation. In being the first-of-its-kind in Europe, it demonstrates Sage's commitment to leading the sector on sustainable housing delivery.”

Supporting local communities

We love supporting local communities to deliver social value, helping families to take part in creative activities, particularly those on low or no incomes. In conjunction with the Essex Community Foundation, we supported Matipo Arts to provide four multi-arts workshops to children aged 6 to 15. They included themed drama and craft activities, designed to help develop creativity and confidence. There were participants from both Sage Homes and the wider local community, helping to establish connections between people living in the area.

“Shared ownership has meant that I have a lovely home for my daughter and dog. I would still be renting now if it wasn't for this scheme.”





Charity partnerships

Crossroads Derbyshire is a specialist service for young women aged 16-24 who have faced domestic abuse. The Sage Group, with support from our investors, Blackstone and Regis, donated £25,000 to the project via Landaid, 'the' property industry charity.

The money will help Crossroads Derbyshire source and provide two properties to offer 'move on housing' for young women who are ready to live more independently, freeing up vital space in their refuge for others who are at immediate risk of harm. The funds will be used to renovate and refurbish the properties and provide ongoing support to the women and families living there, to help them recover.

Lifeshare is a smaller charity working in the centre of Manchester with homeless people. The Sage Group donated £13,440, equivalent to lifeshare providing breakfasts for the whole year.

Sage also supported the Trussell Trust, which works to end the need of foodbanks, and Secret Angels, a small charity food parcel service based in Wolverhampton. We made donations on behalf of our Muslim colleagues observing Ramadan and non-Muslim colleagues who did one day a week of fasting in support. The total amount raised was £2,580.

Freek's farm

The Sage Group has been appointed by Countryside Properties to deliver 154 affordable rented homes at the Northern Arc in Burgess Hill.

Homes England is working closely with its developer partners and local council to provide homes that are accessible to all. At least 30% of every phase of homes at the Northern Arc will be affordable.



The Environment

Lowering the environmental impact of both our employees and customers is a crucial part of our ESG strategy. Promoting environmental solutions for our customers' homes and our operations are key drivers for our sustainable future.

STREAMLINED ENERGY AND CARBON REPORTING (SECR)

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

The Group 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 the Group 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 Group.

In addition to the Group's own corporate activities which are generally administrative in nature, the Group utilises partners to manage its delivered

affordable homes and continues to significantly invest in and deliver a high number of new affordable homes through our construction partnerships. We aim to engage with our supply chain to encourage them to report on their key environmental impacts so the Group can make informed procurement decisions.

We have reviewed how we measure our carbon emissions to improve the accuracy of our reporting. This includes updating 2020 data to allow for comparison with 2021 data (see methodology).

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 the Group has been calculated for each year as follows, based on:

- electricity used in our offices;
- temporary gas and electricity supplies to void homes in our affordable housing portfolio;
- electricity and gas supplies to common building areas where the Group is the owner; and
- fuel used for business purposes by all employees.

ENERGY USE AND CARBON EMISSIONS

Total energy consumption	2021 kWh	2020 kWh
Mains gas	4,629,305	3,592,625
Mains electricity ¹	607,598	404,018
Transport fuel – business travel in employee-owned vehicles	104,864	95,873
	5,341,767	4,092,516
Total gross emissions	2021 tCO ₂ e	2020 tCO ₂ e
Combustion of gas (scope 1)	834	648
Purchased electricity (scope 2)	129	94
Combustion of fuel for transport (scope 3)	26	24
	989	766

¹ The electricity supplied in one of our office sites is on a renewable energy tariff, this results in 36,945kWh (2020: 35,851 kWh) of our mains electricity being from a renewable green energy source.

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.

	2021	2020
Carbon emissions intensity (tCO ₂ e per employee)	4.02	5.25
Carbon emissions intensity (tCO ₂ e per completed homes)	0.14	0.19
Carbon emissions intensity (tCO ₂ e per home in development)	0.09	0.09

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.

Methodology:

The Group occupied office space in two different buildings during the year. We have used actual and estimated meter readings to determine consumption figures. In one of the buildings, the office space is not separately sub-metered and therefore we have proportioned our consumption based on floor area which we occupy.

For temporary gas and electricity supplies to our void homes in our affordable housing portfolio we have calculated this based on the number of weeks the home is void and the typical domestic consumption values based on a sample of metering readings.

Communal areas have been calculated using estimated 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, i.e. grey fleet, has been estimated using consolidated mileage claims data and the GHG Conversion Factors for average passenger vehicles have been applied. Note we have no company vehicles in the Group.

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 Governments Greenhouse gas reporting conversion factors for 2020 and 2021 where applicable.

Social

We are a customer focused business. We recognise the importance of social initiatives and the benefit they can have on both our customers and employees. Health and wellbeing programmes contribute to our success, and our employees' satisfaction and engagement to the business.

Governance

Our corporate governance balances the interests of our stakeholders, including customers, supply chain and the communities we work in. Culture, diversity and inclusion are essential to the success of Sage to provide differing perspectives and backgrounds to everyday decisions. We monitor these in relation to our portfolio.



Sage Together



“As part of its commitment to creating a collaborative and inclusive culture, Sage has introduced a Workforce Advisory Panel, called Sage Together.”

As part of its commitment to creating a collaborative and inclusive culture, Sage has introduced a Workforce Advisory Panel, called Sage Together, which I Chair.

The panel meets monthly, and we discuss the matters relating to working for Sage that affect the lives of employees. We have put in place communication mechanisms to ensure the views and opinions of our people across all areas of the business are captured. The panel also acts as a sounding board to raise matters of concern.

We communicate the panel’s findings to the Customer and People Committee and then to the Board so that it can build that information into its deliberations and decision making. I regularly attend meetings of the Board to brief it on our discussions and activities. I also have regular meetings with our Chair and with our CEO.

During the year we undertook a workforce survey on wellbeing. Many respondents identified difficulties around the work-life balance, which was understandable as many of us had been working from home for a while. Our feedback on concerns such as this has helped shape Sage’s 2022 Workforce Engagement Plan.

We have two sub-panels, one focussed on Wellbeing and the other on Diversity and Inclusion. There is a dedicated area of Sage’s intranet where we communicate details of our activities and initiatives and how panel members may be contacted with ideas or concerns.

Activities of the Wellbeing sub-panel include a partnership with the MyndUp mental health platform, support to line managers in managing teams remotely, and promotion of the use of Perkbox and the benefits it provides.

Among other things, the Diversity and Inclusion sub-panel has circulated information on faiths held by members of the workforce, celebrated cultural events such as Black History Month and Pride Week as well as noting special days including International Women’s Day.

The Board has told me how important it considers the panel’s insights to be, especially in measuring the organisation’s culture, and also how much it values the direct engagement with employees that the panel provides. I couldn’t agree more.

Trudy Quinn
Chair
Sage Together

Customer Scrutiny Panel



“One of the most effective ways of helping us achieve our goal is to hear directly from customers about their lived experience, what has gone well for them, and we can build on, and what we need to do better.”

It is Sage’s ambition that we should be the best possible Registered Provider of affordable homes. One of the most effective ways of helping us achieve our goal is to hear directly from customers about their lived experience, what has gone well for them, and we can build on, and what we need to do better where things have not gone well.

Sage has assembled a panel made up of independently-minded customers from both rented and shared ownership homes who we are confident will voice their opinions clearly and honestly. We want the panel to act like a ‘critical friend’; frank but constructive, so we learn from what is said.

I, together with other Sage colleagues who attend its meetings, such as the Chief Customer Officer and Head of Customer Service, will help ensure that feedback from the panel drives meaningful improvements for our customers.

As well as being Chair of the panel, I am a member of the Customer and People Committee and will report panel meetings back to the committee. Feedback from the panel, together with other customer feedback, such as from transactional and perception surveys, will in turn be reported to the Board and will be an important part of its decision-making process.

Although it has only been in operation for a few months, the panel has provided valuable insights that have already generated operational improvements. It has also provided an essential contribution to the customer improvement plan which will be a focus of the business in 2022.

I was very proud to be able to help establish the panel and to be its first Chair. I am certain that it will be a major influence on Sage and prove valuable in helping us provide the best homes possible for our customers.

Cedi Frederick
Chair

Customer Scrutiny Panel

Risk management

The effective management of risk is fundamental to the achievement of Sage’s strategic objectives. Responsibility for risk rests with the Sage Board. Oversight of the risk management processes is provided by the Audit and Risk Committee and the Risk Management Group.

Risks to the achievement of Sage’s 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 Risk Management Group before the key risks are reported to, and reviewed by, the Audit and Risk Committee.

Sage’s risk management system continued to evolve and mature throughout 2021. Whilst the impact of the pandemic on Sage has lessened, other risks to Sage’s objectives have become more significant. The external environment in which Sage operates continues to pose challenges, such as the increasing cost of financing and the effects on Sage customers of rapidly increasing energy costs, higher taxation and salaries that are not keeping pace with the cost of living increases. With inflation predicted to remain high, there is a need to monitor the impact of this on Sage’s risks.

Actions undertaken in 2021 to further develop the framework for managing risk included the following:

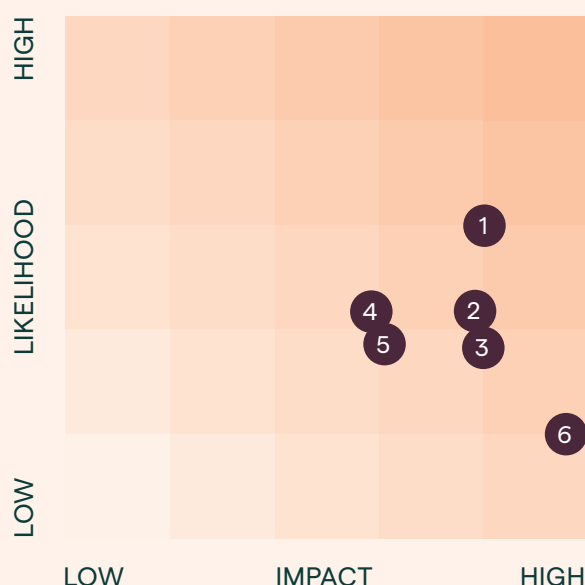
- ✓ Board risk sessions to review and update Sage’s risk appetite, resulting in a set of new risk appetite statements that were approved by the Board in September 2021;
- ✓ the roll out of a cloud-based risk management system to risk owners across the organisation; and
- ✓ risk management training provided to risk owners to enable the development of departmental risk registers.

The risk management framework will develop further in 2022 with the linking of metrics to risks and identification of trigger points that will indicate when further action needs to be taken.

KEY RISKS ‘HEAT MAP’

Sage utilises a programmatic scoring of risks to map its mitigated risks. A “heat map” showing some of Sage’s key risks is shown below. This is reported to the Risk Management Group and Audit and Risk Committee on a quarterly basis.

RESIDUAL RISK



Schedule of the key risks and mitigations

Sage'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 ACTIONS
1 Management: Outsourced provider fails to deliver on contractual obligations resulting in a poor service to Sage and its customers, negatively impacting on Sage's reputation in the market.	Ongoing monitoring of provider's management of Sage's residents. Regular communication with the provider team is maintained to identify and track issues. Sage can change to an alternative provider, if required. Advance notice will be provided by PfP if it will not take on a new site, allowing Sage sufficient time to make alternative arrangements. Regular audit assurance on PfP systems and interfaces with Sage.
2 Regulation: Non-compliance results in measures of intervention, loss of status and ultimately prohibits Sage from bidding and acquiring S106 sites.	Effective Board and governance structure in place and reviewed. Ongoing compliance monitoring and self-assessment. Independent advice and assurance provided by external consultants in areas such as risk management, cyber security and governance.
3 People: Inadequately resourced team structures with insufficient skills, values and/or experience levels. Failure to keep ahead of the resourcing requirements as Sage matures and becomes an established business, leading to an inability to maintain operations and deliver growth, whilst meeting regulatory expectations and customer demands.	Leadership Team ensure team structures are fit for purpose and amend as demands change, following employee consultation processes. HR team in place with established hiring practices, including an applicant tracking system and employee value proposition, which supports the business hire in the right skills, experience and calibre. HR policies and practices in place, supporting Sage values, employee wellbeing, high performance, development and retention. Pay and benefits structures/strategies in place to reflect the external labour market, attract high calibre candidates, reward performance and aide retention. Bi-annual 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.

Schedule of the key risks and mitigations continued

RISK	MITIGATING ACTIONS
<p>4 Health and Safety: Failure to meet statutory requirements, including Fire, Legionella, Gas and Electricity 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 PfP, the service provider, on compliance with property compliance requirements.</p>
<p>5 Poor Customer Service: Negative customer feedback/reviews on social media as a result of poor customer service. Negative reporting of Sage and Sage's activities in the sector, difficulties working with local authorities, reduced investor confidence, regulatory scrutiny/downgrades and difficulties recruiting staff.</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>6 Disruption to Funding: Investors withdraw funding for Sage's growth. Cost of debt increases to a level where Sage is unable to fund its operations and planned acquisition programme.</p>	<p>Up-to-date funding support letters are received at regular intervals by the Sage Group from its investors.</p> <p>There is a strong relationship with investors that is maintained through regular information flows.</p>

Continued innovation in financing and attraction of new capital sources to the sector



Continued innovations in financing and tenant service:

- ✓ Operational portfolio more than doubled to 3,321 affordable and social rented homes
- ✓ Acquisition of 1,712 completed homes from Sage Housing Limited enabled by a £281m first-of-a-kind sustainable-rated securitised notes offering
- ✓ Year-end occupancy of 98% creating a stable rental base
- ✓ Focus on serving our customers digitally with a redesigned homepage for ease of navigation and a customer support section of our website offering support to our most vulnerable customers
- ✓ Investing in technology to improve our customer journeys to ensure the customer experience of managing their home is easy and straightforward

REVIEW AND HIGHLIGHTS OF 2021

Within a unique year where a hybrid system of working became normality, we remained focused on growing our portfolio of newly-built, high-quality, modern and energy-efficient affordable homes, innovating financing solutions and bringing new capital to the sector, all whilst ensuring we scaled our tenant service capabilities to match our increasing portfolio.

In November 2021 we more than doubled the number of homes we own and provide to our tenants, by buying 1,712 further homes from our sister company Sage Housing Limited. In doing so we have been able to establish a solid rental income base to fund our tenant service operations and our portfolio maintenance and financing costs. Our turnover grew by over 500% to £13.5m as 2020's and 2021's acquisitions contributed to our growth. As Sage grows, we are focussed on increasing our operational efficiency. This is demonstrated by our operating profit of growth to £4.5m in 2021, versus a prior year of £0.1m. For the year, Sage recorded an anticipated net loss of £4.4m, this being due to increased financing costs. We anticipate this to improve next year with a larger rental base in place for the full year.

As Sage's activities and portfolio expands, we are also improving our systems and processes and seeking to use technology to improve both our own operations and how we connect with our customers. Sage as a Group continued to grow our team to ensure we provide the best service possible to our customers and other stakeholders. This focussed hiring saw the Sage Group's team overall grow from 146 to 225 colleagues by year end. This growth and other investments in customer services, and the general growth of our portfolio saw operating costs grow from £2.0m in 2020 to £9.0m in 2021.

“2021 saw Sage Rented Limited more than double its operational portfolio of affordable homes.”



FINANCING

Building upon 2020's innovative £220m securitised notes financing, the 1,712 new homes acquired in November 2021 were used as security to enable a further £281m of first-of-a-kind securitised notes, improving both our cost and tenor of financing compared to 2020. The combination of Sage's high degree of social purpose and the leading levels of the portfolio's energy efficiency (98% being EPC A or B), enabled the offering to be rated as 'sustainable'. As Sage's portfolio grew in the year, so did its borrowings, and thus interest costs, increasing to £10.6m in 2021 versus £1.6m in 2020.

COMMITMENT AND FUTURE

In conclusion, Sage Rented intends to acquire newly-built, high-quality, energy-efficient affordable homes from Sage Housing Limited and provide them to those that need them most and strive to provide all our customers with exceptional levels of service. 2021 has confirmed our business and financing models to be scalable and robust and we look forward to the coming year.

John Goodey
Chief Financial Officer
 23 May 2022

Use of proceeds

In October 2020, 1,609 new-build affordable homes owned by Sage were used as security for a loan that was facilitated by an innovative public offering of Social Housing Rental Secured Notes. In keeping with the Company's ESG aspirations the bond offering achieved social bond designation.

The £220m issuance produced net proceeds of £204m, after fees and retention notes of £11m. The proceeds were used to refinance the original 1,609 homes and partially finance a further 1,364 homes, £6m of proceeds was still held as cash at 31 December 2020. During the year ended 31 December 2021 a further £5m of these proceeds were used to partially finance a further 314 homes, whilst the remaining £1m was held in cash at year end by Sage Housing Limited as part of the on-lend from the Company.

Building upon the notes offering of 2020, in November 2021, 1,712 new-build affordable homes owned by Sage were used as security to enable a further £281 million of first-of-a-kind sustainable securitised note offering.

The £281m bond produced net proceeds of £264 million, after fees, retention notes discount and liquidity reserve. The net proceeds were used to partially refinance the original 1,712 homes, partially finance the completion of 161 homes and partially finance a further 300 homes that are in development at the year end. £15m was held in cash at year end by Sage Housing Limited as part of the on-lend from the Company. The bonds mentioned above are held by external parties and on-lent to the Company through its subsidiaries.

“We continue to innovate, bringing new models of financing to the affordable housing sector, enabling new sources of capital to support our and the sector's growth.”

Our compliance with the Value for Money Standard

INTRODUCTION

Sage understands the importance of striving for 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 became operational on 23rd October 2020 following the acquisition of 1,609 completed affordable and social rental homes from our sister Registered Provider, Sage Housing Limited. In the year, we, acquired a further 1,712 properties from Sage Housing Limited and this significant increase in the portfolio impacts our metrics which may vary from other providers in the sector who have less growth, but more stable and mature portfolios of affordable homes. We plan to acquire further completed affordable rental homes in future years from Sage Housing Limited and our performance is expected to become more directly comparable with sector peers over time.

As it is anticipated that Sage's overall portfolio of affordable and social rental homes will continue to grow, albeit with timing uncertainty, the Board has chosen to compare our performance at this time to a peer group consisting of all Registered Providers in England with portfolios of between 1,000 and 5,000 homes.

Sage's Board has set targets for 2022 covering both the Regulator of Social Housing VFM metrics and its own VFM metrics (Additional Key Performance Indicators). These targets are set based on the current owned and managed portfolio plus anticipating the impact of additional acquisitions during the year. As the timing of these acquisitions is uncertain and changes may occur due to operation and financing requirements, this may result in our targets needing to be revised.

OVERVIEW

The Regulator of Social Housing defines VFM metrics for Registered Providers to disclose.

Metrics 1 to 3 focus on investment and show our investment in new affordable homes and as well as improving all homes in the portfolio, whilst 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. We acquired a further 1,712 completed affordable rental homes in the year from our sister company, Sage Housing Limited, for £225m. Our strong performance on reinvestment in 2021 versus our peer group reflects this significant increase in the portfolio and our 2022 target reflects further anticipated acquisitions from Sage Housing Limited on our enlarged portfolio base.

Core value for money metrics		2020 Actual	2021 Actual	2021 Target	2021 Peers	2022 Target
1	Reinvestment %	100%	54%	—	5.1%	32%
2A	New supply delivered % (social housing)	—	52%	—	1.0%	31%
2B	New supply delivered % (non-social housing)	n/a	n/a	n/a	n/a	n/a
3	Gearing %	132%	128%	133%	42%	113%
4	EBITDA MRI – interest cover %	69%	71%	139%	187%	108%
5	Headline social housing cost per unit	£906	£2,377	£2,655	£3,821	£3,153
6A	Operating margin (social housing lettings only)	12%	41%	42%	27%	38%
6B	Operating margin (overall)	5.1%	34%	33%	25%	20%
7	Return on capital employed (ROCE)	0.0%	0.8%	2.3%	3.3%	1.8%

OVERVIEW continued**METRIC 2 – NEW SUPPLY DELIVERED (%)**

This metric considers the number of new housing units developed in the year as a proportion of the total units owned at year end.

Social housing units: At the end of 2021 we owned 3,321 affordable homes compared to 1,609 at the start of the year. As outlined above, the increase of 1,712 homes in the year was via a transfer from our sister Register Provider, Sage Housing Limited, in November. We did not set a target for 2021, but anticipate further acquisitions being made in 2022 but on our larger existing base, hence the reduced target of 31%. This remains a significant level when compared to our peer group.

Non-social housing units: Our sole focus is affordable housing. We have not acquired or developed any non-social housing units in 2021 and do not hold any non-social housing units at year end.

METRIC 3 – GEARING (%)

Sage's gearing in 2021 was largely on target and higher than peer group as we continued the high level of investment in Sage's growth. Debt was provided by Sage's ultimate parent, Sage Investments Sàrl, and predominantly through borrowings related to securitised notes issued in 2020 and 2021. It is anticipated that Sage's gearing will remain at a similar level in the year ahead.

Sage ensures its debt and gearing levels are appropriate to protect our financial viability and that we balance the benefits of debt in reducing our overall cost of capital (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.

METRIC 4 – EBITDA MRI – INTEREST COVER (%)

The measure is a key indicator for liquidity and investment capacity. It seeks to measure the level of surplus that a Registered Provider generates compared to interest payable. For the year ended 31 December 2021 the Company's EBITDA MRI – Interest cover was 71% (2020: 69%) which was below target due to a higher interest cost in the year. It is anticipated that we will move closer to our peer group in 2022 though with higher relative gearing this metric will continue to be lower by comparison.

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

The unit cost metric assesses the headline social housing cost per unit as defined by the Regulator. The result for 2021 is lower than the target level due to the dilutive effect of the additional properties acquired in the year. The increase in the target for 2022 is driven by a full year of operating costs for the entire portfolio. We anticipate that our social housing cost per unit for 2022 will move towards our peers but will remain lower as a result of the leveraging of our overheads.

METRIC 6A – OPERATING MARGIN – SOCIAL HOUSING LETTINGS (%) & METRIC 6B – OPERATING MARGIN – OVERALL (%)

Sage had a positive operating margin in 2021, in line with the targets, as it benefited from stabilised portfolios of completed/let homes. The 2022 target for Operating margin – social housing lettings is slightly reduced versus 2021 as Sage's overhead cost is anticipated to increase in line with its portfolio for the full year. The overall operating margin is forecast to be lower than 2021 due to the full year impact of debt fees and depreciation across the portfolio.

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. Sage's 2021 ROCE was slightly lower than target due to the higher capital employed at year end from the acquisition of properties in November. The target for 2022 reflects the full year operating profit against the portfolio.

Although our current metrics for social housing cost per unit, operating margin and ROCE are outside sector norms this is solely a result of the portfolio's level of maturity and size.

ADDITIONAL KEY PERFORMANCE INDICATORS

The following key performance indicators are in addition to the core Value for Money metrics. These metrics and targets are defined and set by Sage's Board to measure key areas of our strategic and operational performance. They are selected to give a rounded picture of Sage's VFM performance, alongside the RSH metrics. These metrics are the key drivers of our business which is solely the management of affordable and social rental homes, as such the number of applicable metrics is limited.

Key performance indicator	2020 Actual	2021 Actual	2021 Target	2021 Peers	2022 Target
Customer experience					
Customer satisfaction with the service	78%	80%	85%	86%	81%
Complaints responded to within target time	78%	96%	95%	80%	95%
Operational efficiency					
Headline cost per unit – adjusted (per annum)	n/a	£1,396	£2,655	£3,499	£2,878
Rent collected as % of rent due	94%	95%	96%	100%	93%
Current tenant arrears as % of annual rent due	5.7%	5.4%	5.7%	3.2%	7.0%
Sage's people					
Staff engagement	n/a	n/a	n/a	n/a	n/a

CUSTOMER EXPERIENCE

Customer satisfaction with our service considers the number of customers who have stated they are fairly or very satisfied with their interaction with Sage.

We recognise that as we have grown so quickly, we have not always had the capability to provide the service to our customers that we wish to, so during 2021 we hired a Chief Customer Officer and established a new customer experience team to ensure our customers are at the heart of everything we do. This team will ensure we improve our customer satisfaction levels throughout 2022 and meet our target of 81% or better. Across our organisation we are focussed on delivering excellent service to our customers and ensuring that this extends to the work of our partners as well.

When things do not go well, Sage is committed to putting it right first time and doing so promptly. If our customers do need to raise a complaint, we are committed to responding within target times. Sage has continued to invest during the year in both people and processes to ensure the standard of service we deliver to our customers is of the highest level. Our targets for 2022 reflect a significant expected improvement on those delivered in 2021.

OPERATIONAL EFFICIENCY

2021 was a challenging year in relation to the collection of rent and arrears. Our performance was slightly behind target with rent collection of 95%. This is however low relative to our peer group and is due to the relatively new tenant base that Sage has compared to peers. Sage continues to focus on arrears and income recovery and in ensuring our processes and that of our partners are robust and effective, but we also seek to support customers that have difficulty in paying their rent.

We are working hard to help to mitigate any issues faced by our customers by providing access to support and information to help them pay their rent. Whilst our arrears outturn at 5.4% was below our 2021 target (5.7%), this does not represent a good result and there is additional focus in this area to ensure collection is optimised and support provided to customers experiencing payment difficulties.

The 2022 targets are still below our peer group and where Sage would ideally wish to be. The targets however reflect the risks posed on rent recovery as our customers absorb both increased rents, driven by inflation, from April 2022 and the significant rise in the cost of living expected through the year. Sage will continue to support customers where it can and work closely with our external partners to ensure a strong focus remains throughout the coming year.

SAGE'S PEOPLE

The Company does not have employees, so metrics are not applicable. Sage Group has a people-focussed inclusive culture where our teams are valued. In 2021 Sage launched its inaugural employee engagement survey to gather valuable feedback which will inform decisions to deliver enhancements to this culture.

Sage has begun using pulse surveys to assess progress against employee engagement across the year. We are refining our new company values and plan to share this with the business in 2022. Sage will continue to focus on its people as value permeates throughout Sage.

CONCLUSION

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



Our engagement with our stakeholders

This section explains how Sage'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 relationships with our customers and other stakeholders, based on the quality of our properties and the services we provide.

(B) THE INTERESTS OF EMPLOYEES

We value the contribution of our people and know their individual actions and behaviours help build a successful business. During the year, the Board set up the Customer and People Committee to help ensure Sage provides a fulfilling workplace. The workforce advisory panel, Sage Together, 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.

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

Sage puts its customers at the heart of its business and the customer experience is central to Sage's values. During the year Sage appointed a Chief Customer Officer to spearhead Sage's commitment to its customers and the Customer and People Committee was set up to deepen the Board's focus on this area. Our relationship with Places for People and other service providers is a key component of Board discussions, and we maintain a strong partnership with them. Sage 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.

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

Our Environmental and Social Governance commitment was a key focus in 2021 and continues to develop. A new ESG strategy was approved by the Board during 2021 and will put Sage at the forefront of the sector. Sage's 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 15 to 21.

(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 Code of Conduct, anti-fraud and anti-money-laundering policies, and Sage's Modern Slavery Statement, to ensure that its high standards are maintained both within the organisation and in our business relationships. We ensure workforce training on these matters is kept up to date. The Board monitors the Company's 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 is a single-member Company and our investors have appointed directors who participate in Board meetings. Each Sage Registered Provider has a separate Board with common Directors.

In January 2021, the Board undertook an exercise to identify, analyse and prioritise Sage's stakeholders. Based on that, the Board reviewed our engagement mechanisms with those stakeholders in order to ensure the correct approach was applied and to develop further engagement where necessary.

The Board takes the requirements of Section 172 into account in all its decision making and the key matters it considered are set out on page 44.

THE STRATEGIC REPORT

This Strategic Report was approved by the Board of Directors on 23 May 2022 and signed on its behalf by:

Bridget Frisby
Company Secretary
 Sage Rented Limited

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.

Committed to the highest standards of corporate governance



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

Sage believes it 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 affordable housing 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.

Consistent with our Company's purpose and its values, we are committed to achieving 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 upon a framework of good governance.

As Sage is registered with the Regulator for Social Housing as a for-profit organisation, we have decided to adopt, wherever practical for a private company,

“Our investors, customers and all our stakeholders can be sure that Sage is building its growth activities and future plans upon a framework of good governance.”

the FRC 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, the Company is a Registered Provider and must comply with the stringent governance provisions overseen by the Regulator for 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 the Company's parent and investors. The Board consists of individuals of recognised stature with abundant business skills, 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, as well as the Acquisitions and Development Committee and has established a new Customer and People Committee. Underpinning the governance framework are our robust internal controls and risk management processes.

In 2021 we continued to strengthen our corporate governance framework in accordance with the Code. In particular, the Sage Board appointed its first Senior Independent Director, added a further three Independent Non-Executive Directors to its complement and, with a focus on building superior customer service and a culture that inspires our workforce, established the Customer and People Committee.

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
23 May 2022

Directors

An experienced team



Alison Thain OBE
Chair



Alison Thain OBE joined the Board in 2018. Alison was CEO of the largest Housing Association in North East England until her retirement in 2016. 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, Regional Building Society, Local Enterprise Partnership and Regional Development Agency. She was awarded the OBE for services to housing. She is committed to the highest standards of ethical and corporate governance.



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



John Brace is an experienced Non-Executive Director with over 25 years' experience in the social housing sector. John joined the Board in 2018. He is a Chartered Accountant and former Finance Director with a wide ranging commercial background in both executive and non-executive roles as well as extensive social housing sector experience. His former roles include Chair of Cottsway Housing and Group Resources Director of Aster Group. John was appointed Senior Independent Director in February 2021.



Cedi Frederick
Independent Non-Executive Director



Cedi Frederick has a varied background in housing, social care and health. He joined the Board in June 2021 bringing over 30 years of experience as a Non-Executive Director to the Sage Board. Cedi has worked across a broad range of sectors including housing, higher education, charities and the NHS. He is currently Chair Designate of the NHS's Kent and Medway Integrated Care Board and is Chair of NHS London's Vaccine Legacy and Health Inequalities Board. Cedi Chairs Sage's new Customer Scrutiny Panel.

COMMITTEE KEY

- AR Audit and Risk
- RN Remuneration and Nomination
- CP Customer and People
- AD Acquisition and Development
- CS Customer Scrutiny Panel
- Committee Chair



David Godden
Independent Non-Executive Director



David Godden joined the Board in 2019, offering over 35 years of operational and Board level experience. He is also a Non-Executive Director of NHS Property Services, where he chairs the facilities management committee. David sits on the Estates Advisory Committee of the Imperial War Museum. He previously held senior executive roles in property management and customer services with Telereal Trillium, Land Securities, BAE Systems in the UK and overseas, and was a Trustee Director of Power to Change, a charity building community-run businesses.



Gemma Katakya
Non-Executive Director



Gemma Katakya has been involved with Sage since its inception and joined the Sage Board as a Non-Executive Director in 2018. Gemma has over 15 years' experience in private equity and is currently a Managing Director at Blackstone within the European real estate group, focussing on UK investments across a number of sectors. Gemma has expertise in finance, asset management and real estate and also sits on the Board of The Office Group, The Arch Company, iQ Student Housing and Leaf Living.



Gareth Llewellyn
Independent Non-Executive Director



Gareth Llewellyn joined the Board in June 2021. Gareth has previously held global executive roles with National Grid plc and Anglo American plc and was an Executive Director at Network Rail. He was also Chief Executive of a government trading fund. As a Non-Executive Director, Gareth was involved with the floatation of Biffa plc and its subsequent sale to private equity. He was a Non-Executive Director and Chair of the Remuneration and Nominations Committee at Harwich Haven Authority. Currently Gareth is the Chair of Transport Infrastructure Ireland. 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 Rampersaud, who joined the Board in June 2021, has over 20 years of Executive experience in global and UK businesses within the education, media and third sectors. A Chartered Accountant, in her career Cindy has held a number of senior finance and leadership roles in the entertainment media sector including at EMI, Warner Brothers and Virgin. Most recently, she headed the BTEC and Apprenticeships business at Pearson plc. A strong advocate of Diversity, Equality and Inclusion, Cindy has sponsored a number of initiatives including a global DEI taskforce at Pearson and acting as a Patron for the BAME Apprenticeship Awards. In 2018 she sponsored the work of the Commission for Sustainable Learning and in 2021 set up the Equality Forum to look at the impact of COVID and the widening inequalities gap. Cindy is currently a Trustee and Chair of the Audit & Risk Committee at the London Film School and a Trustee at Speakers Trust.



Sydney Taylor
Non-Executive Director



Sydney Taylor has over 30 years' experience in real estate, private equity, banking and fund management and is a finance specialist with the Regis Group. He has been involved with Sage since its inception and 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. Former employers at senior level include ING Real Estate, Land Securities Trillium, Goldman Sachs, Alpha Real Capital and Great Portland Estates. He is a Fellow of the Association of Chartered Certified Accountants and until recently served as a non-executive director on the boards of the three Brockton Capital Real Estate Funds.



Mark Sater
Chief Executive Officer, Executive Director

Mark Sater joined Sage in 2020, having previously been an advisor 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-Orthopädie-Technik GmbH and Managing Director of Overland Group Ltd. He is a Chartered Accountant.

Leadership Team

Bridget Frisby

Company Secretary and Head of Legal

Prior to joining Sage, Bridget Frisby 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. From 2016, Bridget acted for Sage whilst she was in private practice and joined Sage permanently as Head of Legal and Company Secretary in January 2018.

John Goodey

Chief Financial Officer

John Goodey joined Sage as Chief Financial Officer in September 2019. Prior to joining Sage, 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.

Lucian Smithers

Chief Customer Officer

Lucian Smithers joined Sage 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, 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.

Keith Shields

Property and Services Director

Keith Shields joined Sage in July 2020 as Property & Services Director. Keith has responsibility for the operational aspects of Sage including the delivery, housing, lettings, asset management, safety and currently the human resources teams. Keith has worked in senior operational roles across a number of property organisations including Land Sec, Lend Lease and more recently FirstPort, covering property services to residential, office and retail environments.

Ben Aspinall

Acquisitions Director

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

Governance structure summary

THE BOARD

ROLE AND RESPONSIBILITIES

The governing body of Sage, which leads the organisation through a framework of prudent and effective controls. It sets Sage's strategy and is collectively responsible for the long-term success of the Company 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 his 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 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 47 to 50.

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 51 to 55.

PANELS

ROLE AND RESPONSIBILITIES

Allow direct engagement with Sage's 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's commitment to hearing the voice of the workforce to create a collaborative and inclusive culture. Has sub-panels focussed on Wellbeing and on Diversity and Inclusivity. Reports to the Customer and People Committee and its Chair regularly attends Board meetings.

➤ See page 20.

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.

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 intermediary for other Directors if needed. Deputises for the Chair if necessary.

NON-EXECUTIVE DIRECTORS**ROLE AND RESPONSIBILITIES**

Contribute to the development of the organisation's strategy. Scrutinise and constructively challenge 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.

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's 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.

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's customers and the views of the Sage's 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 56 to 58.

ACQUISITION AND DEVELOPMENT 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 week.

➤ See pages 59 and 60.

CHIEF FINANCIAL OFFICER**CHIEF CUSTOMER OFFICER****COMPANY SECRETARY AND HEAD OF LEGAL****PROPERTY AND SERVICES DIRECTOR****ACQUISITIONS DIRECTOR****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 listen to and understand what customers have liked or disliked about obtaining and living in a Sage Home.

➤ See page 21.

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

Governance framework

The Board of Sage understands that good governance is of fundamental importance in achieving the Company's corporate purpose. 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.

FRC UK CORPORATE GOVERNANCE CODE 2018

Sage has adopted the FRC UK Corporate Governance Code 2018 (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 2021 Sage 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 is a private company with one shareholder and AGMs are not held.
- 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. Sage's parent retains the ability to appoint or remove any Director.
- Provision 24 – The Audit Committee should consist of Independent Non-Executive Directors. > Sydney Taylor, a representative of the investors and not considered an independent Director under the Code, is a member of the Audit and Risk Committee as it is considered that his financial skills and business knowledge are beneficial.
- Provision 36 – Director share schemes. > This is not applicable to Sage as a single-member private company.

Subject to those explanations, Sage was compliant with the Code during 2021.

REGULATOR OF SOCIAL HOUSING STANDARDS

The Company conducted a detailed self-assessment of its compliance with the Regulator of Social Housing ("RSH") standards which apply to the Company. After reviewing this assessment, the Board can confirm that the Company has complied with the Governance and Viability Standard.

The Board has also concluded that the Company has complied with all other relevant standards as set out by the RSH during the 2021 financial year.

Board leadership and Company purpose

AN EFFECTIVE BOARD

The Company is led by an effective and entrepreneurial Board of Directors with significant experience of the sector who understand how value is created over time. The Board provides leadership to the Company within a framework of prudent and effective controls that enable risk to be assessed and managed. Based upon the business model, a strategic plan for the forthcoming five years was determined in conjunction with the Company's executive management (the "Leadership Team") at a separate strategy day with a budget set for the forthcoming year to support the plan. A 30-year long-term strategic Corporate Plan was also agreed in accordance with sector requirements and stress-tested against various scenarios.

MONITORING CULTURE

Sage's 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 towards its purpose. Sage understands the essential link between the organisation's culture and its impact on its customers and that link was recognised by the formation of the Customer and People Committee.

“Sage understands the essential link between the organisation’s culture and its impact on customers and that link was recognised by 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 the Company directly with the workforce. In November 2021 a new process commenced which will comprehensively and regularly survey the workforce to obtain both quantitative and qualitative data on the organisation’s culture and the engagement of its employees. This will help the Customer and People Committee identify areas that require attention and further action.

Sage’s workforce advisory panel, Sage Together, is an essential element of Sage’s commitment to creating a collaborative and inclusive culture and was established with Sage’s culture as its primary focus. During the year Sage Together carried out both a wellbeing and a diversity and inclusion survey which led to further activities and discussion. The Sage Together panel reports to the Customer and People Committee and its Chair regularly presents to the Board.

DECISION MAKING

A clear division of responsibilities is in place at the head of the organisation with balanced controls. 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 Leadership Team. The Board operates within a schedule of matters reserved for its decision. The Board has delegated certain responsibilities 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 any 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 record the debate and 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.

RELATIONS WITH STAKEHOLDERS

The importance of Sage’s stakeholders is understood. The Directors have a duty under Section 172 of the Companies Act to have regard to the interests of key stakeholders and the Stakeholder Engagement statement is on page 30.

SHAREHOLDER AND INVESTORS

Sage 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 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 Days. By mutual consent, the Board and parent have decided to waive the Annual General Meeting.

CUSTOMERS

Sage aims to put customers at the heart of its business and Lucian Smithers was recruited in April 2021 as Chief Customer Officer to undertake a role focussed on enhancing the customer experience. In addition, during 2021, the Board established its Customer and People Committee (pages 56 to 58) which increased its capacity to oversee and address the strategic and operational customer-facing elements of the business.

As a Registered Provider, the Company 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 Leadership Team.

Board leadership and Company purpose continued

RELATIONS WITH STAKEHOLDERS continued

WORKFORCE

The Board is responsible for ensuring that workforce policies and practices are in line with the Company's purpose and values. The Customer and People Committee supports the Board in that, with workforce remuneration matters overseen by the Remuneration and Nomination Committee (pages 51 to 55), which seeks the advice of remuneration consultants when appropriate.

GATHERING THE VIEWS OF THE WORKFORCE

The Sage Together workforce engagement panel is formed of seventeen members of the workforce 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 – 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's culture.

The Sage Together panel is valuable in helping the Board understand the concerns of the workforce and helps it to co-ordinate and focus Sage's charitable activities, such as through matched donations.

The views of the workforce are also being gathered through workforce engagement surveys and a new enhanced process commenced in November 2021.

OTHER KEY STAKEHOLDERS

The importance of Sage's stakeholders is understood and, during 2021, an exercise was undertaken to identify and prioritise the Company's stakeholders and review its engagement mechanisms with them. This analysis was used to inform Sage's strategic priorities. A new focus on environmental, social and governance matters commenced in 2021 with a comprehensive action plan drawn up with new initiatives commencing in 2022.

Division of responsibilities

AN EFFECTIVE BOARD

The Board is the governing body of the organisation and is collectively responsible for the success of the business. The Board operates within a schedule of matters reserved for its decision and delegates certain matters to its Committees. Otherwise decisions are delegated to management.

In 2021 the Board comprised Alison Thain OBE, Chair; John Brace, Independent Non-Executive Director; Cedi Frederick, Independent Non-Executive Director (appointed 21 June 2021); David Godden, Independent Non-Executive Director; Gemma Katakya, Non-Executive Director; Gareth Llewellyn, Independent Non-Executive Director (appointed 21 June 2021); Cindy Rampersaud, Independent Non-Executive Director (appointed 21 June 2021), Sydney Taylor, Non-Executive Director and Mark Sater, Chief Executive Officer (an Executive Director from 21 July 2021). Accordingly, at least half the Board, excluding the Chair, have been Non-Executive Directors whom the Board considers independent.

There is a clear division of responsibilities at the head of the organisation which is set out in writing and approved by the Board.

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

Mark Sater is the Chief Executive Officer and is responsible for the day-to-day management of the business and the leadership of an effective management team to deliver the objectives of the organisation. He was appointed as an Executive Director on 21 July 2021.

In line with the recommendations of Board and Committee evaluation in 2020, it was agreed that a Senior Independent Director should be appointed, and John Brace was appointed to that role on 24 February 2021.

The descriptions of the roles and responsibilities of the Chair, Chief Executive Officer and Senior Independent Director are available on the Company's website.

The biographical details of the Directors of the Company are shown on pages 34 to 36.

In 2021, there were five scheduled Board meetings, five additional Board meetings and two strategy days with the investors and the Leadership Team. Details of the matters considered during those meetings are set out below. In 2021 meetings were held wholly or partly by videoconferencing due to COVID-19 distancing requirements.

At its meetings, the Board scrutinises the performance of the Company 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.

BOARD MEETING ATTENDANCE

	Feb	Feb	May	May	Jun	Jul	Sep	Sep	Sep	Oct	Nov	Dec
John Brace	●	●	●	●	●	●	●	●	●	●	●	●
Cedi Frederick (appt 21.06.21)	—	—	—	—	—	●	X	●	●	●	●	●
David Godden	●	●	●	●	●	●	●	●	●	●	●	●
Gemma Katakya	●	●	●	●	●	●	●	●	●	●	●	●
Gareth Llewellyn (appt 21.06.21)	—	—	—	—	—	●	●	●	●	●	●	●
Cindy Rampersaud (appt 21.06.21)	—	—	—	—	—	●	●	●	●	●	●	●
Sydney Taylor	●	●	●	●	●	●	●	●	●	●	●	●
Alison Thain	●	●	●	●	●	●	●	●	●	●	●	●
Mark Sater (appt 21.07.21)	○	○	○	○	○	●	X	●	●	●	●	●

● Attended ○ Attended (prior to Directorship) X Not attended (due to prior commitments)

Key Full Board Additional Board Strategy Day

Division of responsibilities continued

AN EFFECTIVE BOARD continued

In addition to regular updates and formal items, matters considered by the Board during 2021 included:

FEBRUARY

- Market presentations by Savills
- Discussion of future strategic target
- Risk appetite review
- Customer Engagement update
- Action Plan progress report following 2020 External Board and Committee effectiveness evaluation
- 2020 Bonus award and Bonus 2021 approval of Framework and targets
- Report from Chair of the Sage Together workforce advisory panel
- Stakeholder identification prioritisation and engagement review
- Annual Treasury report and approval of Treasury strategy and policy
- Review of Strategic Risk Register
- Governance compliance review
- Approval of disaster recovery plan

MAY

- Service management provision review
- Approval of Customer and People committee terms of reference
- Approval of Asset Management Strategy
- Presentation by new Safety, Health and Safety and Quality Manager
- Assessment of values and culture
- Agreement of the responsibilities of the Senior Independent Director
- Non-Executive Director recruitment update
- Revolving Credit Facility financing update
- Consideration of English Limited Partnerships ("ELP") structure
- Review of assets and liabilities register
- Value for Money discussion
- Value for Money review and agreement of core and additional metrics

JUNE

- Review and approval of 2020 Annual Report and Financial Statements
- Agreement to an increase to the Revolving Credit Facility (RCF)

JULY

- Report from the first meeting of the Customer and People Committee
- Review of Optivo partnership arrangement
- Consideration of second Affordable Rented Commercial Mortgage-Backed Security Bond ("AR CMBS")
- Half yearly Treasury update
- Whistleblowing process review

SEPTEMBER

- AR CMBS bonds update
- Discussion on an increased strategic target
- Update on ELP structure proposals
- Discussion on Corporate Plan
- Homes England Continuous Market Engagement Agreement approval
- Agreement to ELP Structure
- Cyber security report
- Agreement of risk appetite statement
- Approval of updated corporate values

OCTOBER

- Approval of structural revisions to AR CMBS 2

NOVEMBER

- Sector background presentations by Blackstone
- Strategic growth considerations
- Future office strategy
- Values and culture refresh presentation

DECEMBER

- Review of Budget, Corporate Plan, Long Term Financial Plan
- Approval of Values, Culture and Branding refresh
- Workforce engagement survey
- Report from Remuneration and Nomination Committee on the remuneration review
- Approval of ESG Action Plan
- Code compliance review
- Annual pattern of work and terms of reference review and update

Key Full Board Additional Board Strategy Day

In addition there were four workshop days where members of the Board considered specific matters with members of the relevant operational teams from the business. Those were in relation to customer service, the new affordable rented CMBS Bond and two on risk.

BOARD COMMITTEES

The Board has delegated certain responsibilities to standing Committees. These Committees operate within defined terms of reference which, apart from the Acquisitions and Development Committee, are reviewed annually. During 2021 the Committees were:

- Audit and Risk Committee (pages 47 to 50);
- Remuneration and Nomination Committee (pages 51 to 55);
- Customer and People Committee (pages 56 to 58); and
- Acquisitions and Development Committee (pages 59 and 60).

The Audit and Risk Committee and the Remuneration and Nomination Committee are formal governance committees as required by the Code. The Acquisitions and Development Committee has been established to review and approve property acquisitions within its authority. The Customer and People Committee was established in May 2021 to provide the Board with greater oversight over those key areas.

LEADERSHIP TEAM

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

Board evaluation, training and support

EVALUATION

An evaluation process is carried out annually to support continuing improvement in Board, Committee and individual Director effectiveness. During 2021, an internal evaluation was conducted by the Company Secretary, by circulating questionnaires, and by the Chair, who met each Director individually to discuss their contribution to the Board. The aim of the evaluation was to identify the Board's strengths, so they can be preserved, and suggest areas for improvement. The evaluation of the Board and its Committees concluded that they were operating effectively with a high standard of performance throughout the year. The areas identified and addressed in 2021 included:

- to instil a clear understanding of Sage's vision and values and their operational application;
- to demonstrate leadership in the development of Sage's customer offer; and

- continuing bespoke sessions on key topics and regularising informal discussions with management and the investors.

The intention is to have a process led by an external facilitator at three-year intervals at least and that was last undertaken in 2020 by Independent Audit Limited ("Independent Audit"). In December 2020, Independent Audit's review was presented to the Board which agreed to all of their recommendations and those were effected in 2021. The recommendations included:

- focussing the Board discussions around key pillars of the strategy;
- developing new approaches to hearing the customer and workforce voices; and
- improving Board agendas and supporting materials.

The external evaluation of the Board and its Committees has helped inform Board composition including the appointment of John Brace as Senior Independent Director on 24 February 2021.

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 the Company. The Chair and Company Secretary agree what Board-wide training or development may be appropriate. Board meetings are generally preceded by a training session.

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. The Company Secretary has the assistance of a qualified Deputy and of the Head of Regulation and Compliance. Directors are also entitled to seek independent advice in relation to the performance of their duties at the Company's expense, subject to having first notified the Chair and Company Secretary.

Internal control

The Board has overall responsibility for establishing and maintaining the entire system of internal control for the Company 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 manage key risks and to provide reasonable assurance that planned business objectives and outcomes are achieved. It also exists to give reasonable assurance about the preparation and reliability of financial and operational information and the safeguarding of the Company's 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 the Group 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 the Company's activities. The Leadership Team regularly considers and receives reports on significant risks facing the Company 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 the Company's services. Sage has its own Internal Audit function which has been supported by Ernst & Young LLP (EY), which carried out additional internal audit reviews on the Company's 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 framework of policies and procedures with which employees must comply. The Company 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 the Company and the delegated authorities given by the Board to allow for the operation of the Company and are adhered to strictly. From time to time, as operational requirements have required, these Standing Orders have been updated after careful review by the Board.

INFORMATION AND FINANCIAL REPORTING SYSTEMS

Financial reporting procedures include detailed budgets for the year and management accounts produced monthly. These are reviewed in detail by the Leadership Team and are reported at 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 covering 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

The Company 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 in the Company.

WHISTLEBLOWING

A Whistleblowing Policy is in place setting out how members of the workforce may raise concerns, anonymously if they wish. The Board publicises the Whistleblowing hotline so that possible instances of wrongdoing may be brought to its attention and investigated.

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.”

Introduction

As required by the Code, the Audit and Risk Committee (the “Committee”), is responsible to the Board for discharging governance responsibilities in respect of audit, risk and internal control. In addition, a key requirement of the Regulator of Social Housing’s Governance and Financial Viability standard is that organisations must have an effective risk management and internal controls assurance framework and the Committee undertakes a crucial role in ensuring that is in place.

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. We strengthened the experience of the Committee by welcoming Cindy Rampersaud to the Committee in June 2021.

The Head of Internal Audit and Risk reports on internal audit matters at each meeting of the Committee. During 2021, the Committee approved the internal audit annual work plan and long-term strategy. 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 with lessons learned for the future. During 2021, EY provided additional capacity to the internal audit function. The internal audit function does essential work in making sure that, as the organisation grows, our internal controls keep pace.

The Committee leads our focus on risk and during 2021 it updated the Company’s risk policy and strategy and reviewed the organisation’s risk management processes 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 the Company’s risk appetite as determined by the Board. In 2021, an in-depth review, led by the Committee, was carried out to ensure Sage’s risk appetite was up to date.

The Committee oversees the work of the external auditor, Deloitte LLP, and is responsible for assessing the effectiveness of the external audit process. Prior to the 2021 audit, the Committee discussed its nature and scope with the external auditor. The Committee is responsible for the quality, expertise, judgement and independence of the external auditor.

While the Committee operates to a pattern of work around the Company’s annual reporting cycle, it also regularly considers matters in areas that could create risk, such as reviewing the whistleblowing process, anti-bribery measures and anti-fraud protection activity as well as other areas of financial compliance. The Committee has instituted a programme of business area risk reviews whereby, at each of its meetings, 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 sound risk management and internal control systems in line with the risk appetite set by the Board.”

Introduction continued

For the forthcoming year the Committee will ensure its internal control mechanism keeps 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 intends that both external and internal audits comprise a greater proportion of controls-based rather than substantive testing. Focus will be given to the Group's financing arrangements and further business area risk reviews will be undertaken in rent setting, contract management, shared ownership sales and new home delivery. In addition, the Committee will oversee an external review of rent setting processes as well the organisation's project to achieve compliance with ISO27001, information security.

John Brace
Chair of the Audit and Risk Committee
 23 May 2022

The Audit and Risk Committee

The Committee is established by the Board under terms of reference that are reviewed annually and were most recently updated in January 2021. A copy of the terms of reference is available on the Company's website.

MEMBERSHIP

During the year the Committee comprised:

- John Brace (Chair)
- David Godden (to 31 December 2021)
- Cindy Rampersaud (from 21 June 2021)
- Sydney Taylor

The Committee met five times during the year.

AUDIT AND RISK COMMITTEE ATTENDANCE

	Feb	May	Jun	Sep	Nov
John Brace	●	●	●	●	●
David Godden	●	●	●	●	●
Cindy Rampersaud (appointed 21.06.21)	—	—	—	●	●
Sydney Taylor	●	●	●	●	●

Attended ●

John Brace and Sydney Taylor are Chartered Accountants and have recent and relevant financial experience; both have extensive experience in the housing sector. Cindy Rampersaud is a Chartered Accountant with significant business experience. David Godden has extensive experience in the housing and real estate sectors. The Committee as a whole has competence relevant to the sector in which the Company operates.

David Godden left the Committee at the end of 2021 and Gareth Llewellyn joined in early 2022.

Under the Code, an Audit Committee should consist of Independent Non-Executive Directors, however, as Sydney Taylor is a representative of the investors, he is not considered an independent Director under the Code. Nevertheless, he is a member of the Audit and Risk Committee so that it may benefit from his financial skills and business knowledge.

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. The Committee is able to consider items of business without other parties being present.

KEY RESPONSIBILITIES OF THE COMMITTEE

These include:

- monitoring the integrity of the financial statements of the Company 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 the Company's position and performance, business model and strategy;
- approving the Company's Value for Money, Going concern and Viability statements, to be included in the Company's annual report and financial statements;
- reviewing the Company's internal financial controls and internal control and risk management systems;
- making recommendations to the Board about the appointment of the external auditor;
- approving the fee payable to the external auditor so that an effective, high-quality audit can be conducted for it;
- 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 the Company's overall risk appetite, tolerance and strategy;
- keeping under review the Company's risk assessment processes that inform the Board's decision making;
- reviewing the Company's capability to identify and manage risks; and
- reporting to the Board on how it has discharged its responsibilities.

Activities

ACTIVITIES OF THE COMMITTEE

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

- was updated by the CFO on the Company's actual and expected financial performance;
- reviewed and agreed the Committee report to feature in the Company's 2020 annual report;
- received updates from the external auditor on changes and expected changes to the Company's legal and regulatory financial environment;
- agreed the 2021 audit plan with the external auditor and agreed areas of focus;
- approved the Company's Risk Policy and risk management strategy;
- in light of the Board's Risk workshop, recommended the risk appetite the Board should adopt;
- agreed the internal audit charter, 2021 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 business area risk reviews (commencing September 2021):
 - > health and safety; and
 - > property compliance;
- oversaw the project to successfully obtain Cyber Essentials, data security accreditation;
- received and considered risk management reports and reviewed the strategic risk register;
- reviewed formal reports from the Compliance Officer regarding the Company's compliance with data protection and anti-money laundering legislation, and with any instances of whistleblowing and fraud; and
- oversaw the rent setting review undertaken by an external provider which confirmed all rents set by Sage were in line with regulatory requirements.

Significant areas of risk

Areas of risk considered by the Committee in relation to the financial statements for the year ended 31 December 2021 were:

- management override of controls; and
- valuation of housing stock.

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 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 the Company. During the year, a senior internal audit manager was recruited to support The Head of Internal Audit and Risk in his role.

An External Quality Assessment ("EQA") of the internal audit function was carried out by the Institute of Internal Auditors on Sage's Internal Audit function toward the end of 2021. The results, reported to the Committee early in 2022, scored Sage's internal audit function very highly with almost all criteria met and the outstanding items in course of development. EQAs are normally undertaken every five years and despite Sage only having an in-house Internal Audit function for two years it had reached a commendable level of capability.

In support of the Company's in-house internal audit function, Ernst & Young LLP ("EY") undertook, during the year ended 31 December 2021, a number of independent audit reviews on specified areas of the Company's business.

The results of internal audit reviews, including the independent reviews by EY, were presented to the Committee with the actions recommended followed up and closed.

Following a formal tender process, PricewaterhouseCoopers has been appointed to support the Company's in-house internal audit function in 2022.

Risk

The Company 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 advisers, undertook a comprehensive evaluation of the organisation's risk appetite. Based upon this, the Committee made recommendations to the Board regarding Sage's risk appetite which it has adopted.

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

The Committee oversaw the formation of the Risk Management Group, which is a management risk forum, meeting regularly to consider existing and potential risks to the organisation. The Committee also instigated the establishment of departmental risk registers which were introduced in 2021 and which further embed a risk focus through the business.

The principal risks and uncertainties facing the business are detailed on pages 22 to 24.

External audit

EFFECTIVENESS

The Committee addresses 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.

INDEPENDENCE

The Committee safeguards the external auditor's objectivity by reviewing its report where it details the measures it takes to maintain its independence and manage any potential conflicts of interest.

No non-audit work was undertaken by the auditor.

APPOINTMENT

Deloitte LLP has been the Company's external auditor since 2018 when the Company first reached sufficient size to be audited. There are no contractual obligations restricting the Company'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 the Company's auditor.

Remuneration to attract, retain and motivate



“Our remuneration policy is a key element in the achievement of Sage’s strategy.”

Introduction

I joined the Committee in June 2021 and succeeded David Godden as Chair in September. David had ably served as Chair on an interim basis from the beginning of 2021. We are fortunate that David remains on the Committee, which also helps ensure a strong connection with the work of the Customer and People Committee which he chairs.

The Committee is a committee of the Board of this Company and other entities in the Sage Homes Group. While the workforce is employed elsewhere in the Group, the Directors, executives and other employees provide services to the Company and, as required by the Code, the Committee has delegated responsibility from the Board to decide the remuneration of the Chair of the Company, the Chief Executive Officer and other designated senior executives. The Committee also agrees the level of the annual salary review for the workforce as well as reviewing their remuneration arrangements.

The Committee takes into account the need to recruit and retain executives while maintaining value for money. The Committee is responsible for Board succession planning and recruitment.

The quality of the Company’s leadership, and indeed the entire workforce, is essential to Sage’s success. Our remuneration policy is a key element in the achievement of Sage’s strategy and enables us to attract, retain and motivate individuals who will drive growth, financial performance and customer focus in line with the Company’s purpose and its values.

Value for money is at the heart of our decision making and that means investing in the right amount of pay to the right people for doing the right things.

In 2021, the strong performance by the Sage Group meant that the corporate element of the bonus plan was awarded at the ‘target’ level. The payouts for departmental and personal elements of the bonus plan reflected the achievement of many separate challenging objectives which together contributed to the achievements reported in this document.

During the year, the Committee built on the remuneration frameworks established during the previous year, making sure that performance-related pay drove success in specific areas of focus in the business. In addition, the Committee considered matters such as Board and executive succession planning, and matters affecting the whole workforce, such as diversity and inclusion.

In terms of its nomination work, in 2021 the Committee oversaw the recruitment of three new Independent Non-Executive Directors to strengthen the Board and its Committees further and, in light of his performance, recommended the appointment of the Chief Executive Officer on a permanent basis and his appointment to the Board with effect from 21 July 2021.

In 2022, Sage will review the remuneration of the whole workforce. This will include grading and benchmarking to ensure our pay is both internally and externally fair and competitive. The Committee will also review the executive and workforce remuneration policy frameworks to ensure they are fit for purpose as the Sage Group grows and matures. The Committee will continue to expand the scope of succession planning and to drive diversity and inclusion in the business.

Gareth Llewellyn
Chair of the Remuneration and Nomination Committee
 23 May 2022

The Remuneration and Nomination Committee

The Committee is established by the Board under terms of reference that are reviewed regularly and were most recently updated in December 2021. A copy of the terms of reference is available on the Company's website.

MEMBERSHIP

During the year the Committee comprised:

- Alison Thain
- David Godden (Interim Chair to 22.09.21)
- Gareth Llewellyn (from 21.07.21, Chair from 22.09.21)

REMUNERATION AND NOMINATION COMMITTEE ATTENDANCE

	Feb	May	Jun	Sep	Nov
Alison Thain	●	●	●	●	●
David Godden	●	●	●	●	●
Gareth Llewellyn (appointed 21.07.21)	—	—	—	●	●

Attended ●

David Godden was appointed interim Chair of the Committee on 1 January 2021 and was succeeded as Chair by Gareth Llewellyn. Both have previous experience of serving on remuneration committees.

SUPPORT TO THE COMMITTEE

By invitation of the Committee, meetings are attended, when appropriate, by the Chief Executive Officer, the Head of Human Resources and Head of Talent, who are consulted on matters discussed by the Committee, unless those matters relate to their own remuneration. 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.

The Committee is authorised to take such internal and external advice as it considers appropriate in connection with carrying out its duties, including the appointment of its own 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.

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

KEY RESPONSIBILITIES OF THE COMMITTEE

These include:

- recommending to the Board the remuneration of the Chair of the Company, the Chief Executive Officer and other designated senior executives (members of the Leadership Team);
- considering and recommending to the Board a policy on senior executive remuneration;
- reviewing workforce remuneration and related policies and the alignment of rewards with Sage's values and culture;
- being responsible for selecting, appointing and dismissing remuneration consultants;
- approving, and making recommendations to the Board regarding any termination or severance payments to Executive Directors and other designated senior executives;
- reviewing the structure, size and composition of the Board and making recommendations to the Board;
- agreeing the appointment and reappointment of any Non-Executive Directors; and
- formulating plans for succession for both senior executives and Non-Executive Directors.

The fees of the Non-Executive Directors are determined by the CEO and the Committee in consultation with Sage's parent shareholder and third-party advisers.

No individual is involved in considerations or decision making on their own remuneration.

Remuneration

ACTIVITIES

During the year the Committee, among other things:

- reviewed and confirmed the 2020 bonus awards for executives and employees within the business;
- reviewed and agreed the Committee report to feature in the Company's 2020 annual report;
- determined levels of pay for the Company's executives, including the level of salary increase to be applied for 2021;
- determined realistic but challenging 2021 bonus targets to help drive key elements of Sage's strategy;
- reviewed the malus and clawback provisions in the bonus scheme;
- approved the launch of a project to map job roles, pay and benefits for the organisation's workforce, other than the Leadership Team, and benchmark them against relevant external peer groups; and
- agreed the 2022 annual salary increase and an increase to the employer's pension contribution.

SENIOR EXECUTIVE REMUNERATION FRAMEWORK – KEY PRINCIPLES

- The pay arrangements in the Sage Group take account of its commercial culture and the need to attract and retain executives with the right sense of purpose and the skills for delivering against stretching targets which contribute to Sage Homes as a force for good.
- The Group seeks to pay cost effectively and fairly. Its unusual, if not unique, position as a high-growth, entrepreneurial, commercial provider of affordable housing is recognised, and value is seen in the consideration of a range of external benchmarks. Benchmarking is used primarily as a means of informing debate by the Committee rather than used to provide an answer.
- As a starting point, the Committee considers median data for the most appropriate benchmarks.
- The other drivers of pay include internal relativities; differentials (such as the relationship between the CEO's pay and average or the lowest pay in the organisation); 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 judgement. In applying such judgement, the Group strives for the support of all its stakeholders for the approach to pay that is taken.
- Sustainability, affordability and value for money are key to both the Group's business model and its approach to pay.
- The Group's approach to pay is aligned with its values.
- The Group takes account of the views of its investors.
- The Group takes account of the guidance of the UK Corporate Governance Code 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 rewards fairly 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 for all employees and insured life and long-term disability cover. The insured benefits provide some financial protection against death and illness.
- 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

The senior executive remuneration framework was first developed during the course of 2020, and in planning for 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 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. The Group strives to ensure that the remuneration principles and framework are 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 focusses 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 payout level to ensure payments are appropriately aligned with the underlying performance of the Group. Personal KPIs and business goals for bonus awards are clearly set out and agreed with each individual.
- **Proportionality** – Executives are able to see how their performance in growing the supply of affordable housing and improving the Group's 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.

Remuneration continued

KEY FACTORS continued

- **Alignment with culture** – The Group is a rapidly growing, entrepreneurial company with significant ambitions which operates in a socially responsible, regulated sector of the economy. The Group's culture reflects all those elements. The personal KPIs and business goals that underlie Sage's remuneration strategy work to maintain that culture as the organisation matures while ensuring that the behaviour of individuals supports the Company's purpose, values and strategy.

DIRECTOR REMUNERATION

Information on the remuneration of the Directors of the Company is set out in note 6 to the financial statements.

ALL-EMPLOYEE REMUNERATION

As for senior executives, general practice across the Company is to recruit 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. All employees receive the same benefits comprising statutory minimum employer pension contributions and insured life and disability cover and, to support the organisation's strategy, a potential 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.

Activities in respect of appointments, succession planning and diversity

During the year the Committee, among other things:

- following a review of candidates, and in view of his performance in the role as interim, recommended the appointment of Mark Sater as Chief Executive Officer; determined his remuneration and recommended his appointment to the Board as an Executive Director of the Company;
- undertook a succession planning workshop review of the Board and for senior executives with HR management undertook a detailed succession planning review, looking at short-term contingency planning as well as the longer-term succession to roles based on a talent mapping exercise;
- oversaw the recruitment of a Chief Customer Officer and recommended to the Board the appointment of Lucian Smithers to the role;
- oversaw the recruitment process for three new Non-Executive Directors;

- reviewed the Board's balance of skills to ensure there were no gaps in key Board skills and knowledge and reviewed their time commitment; and

- agreed a training programme for Director development.

RECRUITMENT PROCESS

The process adopted is that the Committee agrees a description of the role and of the capabilities required and a recruitment consultant is then engaged to seek appropriate candidates based on merit against the objective criteria set out in a 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 so that a final selection can be recommended to the Board, parent, and investors. The Chief Executive Officer and Chief Customer Officer were recruited in accordance with this process.

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.

DIVERSITY AND INCLUSION

All Board appointments are based on the objective criteria set out in a role description and, in accordance with the Company Diversity and Inclusion Policy, paying 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 recruitment long-lists would be diverse.

The gender balance of the Board, those in the leadership team and their senior management direct reports is set out on page 55.

NOTICE PERIODS

No Director or executive has contractual rights for compensation beyond payment of the contractual notice period. One executive, who joined in 2018, has a contractual notice period which provides for six months' notice by either party. Otherwise the executives, including the Chief Executive Officer, have contracts that provide for notice of three months by either party. The Non-Executive Directors, including the Chair, have letters of engagement and are appointed for a period of three years.

DIRECTORS' APPOINTMENTS

	Role	Date of appointment
Alison Thain OBE	Chair	19 December 2018 reappointed 19 December 2021
John Brace	Independent Non-Executive Director	19 December 2018 reappointed 19 December 2021
Cedi Frederick	Independent Non-Executive Director	21 June 2021
David Godden	Independent Non-Executive Director	12 August 2021
Gemma Katakya ¹	Non-Executive Director	19 December 2018 reappointed 19 December 2021
Gareth Llewellyn	Independent Non-Executive Director	21 June 2021
Cindy Rammersaud	Independent Non-Executive Director	21 June 2021
Sydney Taylor ²	Non-Executive Director	21 February 2018 reappointed 21 February 2021
Mark Sater	Chief Executive Officer, Executive Director	Appointed to the Board 21 July 2021

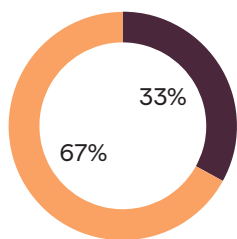
As agreed with its parent, no Annual General Meetings are held. Directors are not subject to annual re-election. However, the Company's parent retains the ability to appoint or remove any Non-Executive Director from time to time.

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

Notes:

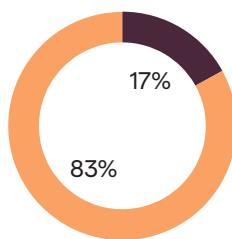
- 1 Gemma Katakya represents Blackstone which ultimately owns 89.9% of Sage.
- 2 Sydney Taylor represents Regis Group which ultimately owns 10.1% of Sage.

GENDER BALANCE



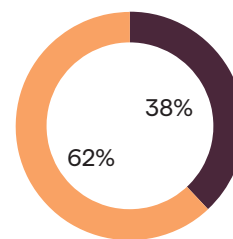
Board

- Female: 3
- Male: 6



Leadership Team

- Female: 1
- Male: 5



Senior management

- Female: 8
- Male: 13

At the end of 2021 there were 116 male employees (52%) and 109 female employees (48%) in the Group (excluding Non-Executive Directors).

Driving ever-improving outcomes for our customers and workforce



“The Committee was established to provide greater Board capacity to allow focus on the detail underlying customer and people issues.”

Introduction

The Customer and People Committee (the “Committee”) supports Sage’s purpose and strategic direction by embedding a culture which helps drive ever-improving outcomes for our customers and workforce. I am very proud to have been appointed as the Committee’s first Chair.

The Committee was established to provide 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 those two areas, which are key pillars of Sage’s strategy.

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

Through the Customer Scrutiny Panel and Sage Together panel, the Committee is able to listen directly to the ‘voice’ of our customers and of our people, respectively, and ensure those voices are fully considered by the Board in its strategic decision making. These panels also provide Sage with valuable sounding boards on proposals that affect their areas.

In 2021, the Committee primarily focused on determining baselines and setting in train a number of initiatives. In the customer area, considerable work was undertaken to understand what our customers are saying to us. Inputs from improved surveys, a customer journey mapping exercise, an analysis of complaints, and the views of the Customer Scrutiny Panel were all brought together to inform a comprehensive customer improvement plan. In 2022, the Committee will oversee the implementation of this plan which will reach into every aspect of the organisation to ensure we operate in line with our values.

On the people side, in 2021 a detailed workforce engagement survey was undertaken with the assistance of an external provider. The results of the survey have been analysed and discussed throughout the organisation and, based on that, and inputs from the Sage Together panel, the Committee has been provided with an action plan, similar to that provided with respect to the customer initiatives. In 2022, the Committee will be responsible for maintaining oversight of the delivery of this plan, which will help ensure that Sage provides a fulfilling and engaging work environment for all of its people.

David Godden
Chair of the Customer and People Committee
23 May 2022

The Customer and People Committee

The Committee was established by the Board and held its first meeting in July 2021. The Committee's terms of reference were agreed by the Board at its inception and updated in September 2021. A copy of the terms of reference is available on the Sage Homes' website.

MEMBERSHIP

During the year the Committee comprised:

- David Godden (Chair)
- Cedi Frederick
- Gemma Katakay
- Cindy Rampersaud (from 8th December 2021)

CUSTOMER AND PEOPLE COMMITTEE ATTENDANCE

	Jul	Sep	Nov
David Godden	●	●	●
Cedi Frederick	●	●	●
Gemma Katakay	●	●	●

Attended ●

There were three meetings of the Committee in 2021 and, in addition, a Customer and People strategy day was held in November 2021.

The Chief Customer Officer and the Head of Human Resources attend each meeting by invitation.

THE COMMITTEE

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

THE PANELS

The Committee oversees the approach and application of customer engagement and people engagement. There are panels that support the work of the Committee in each regard:

- In 2020 a workforce advisory panel was set up in accordance with the Code called 'Sage Together' which 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 at meetings of the Board. The panel has two sub-panels focussing on Wellbeing, and on Diversity and Inclusion. Further information about the work of the panel may be found on page 20.
- Sage set up the Customer Scrutiny Panel in 2021. This 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's customers in their Sage homes and hear candidly about what went well and what could be improved. Further information about the work of the panel may be found on page 21.

KEY RESPONSIBILITIES OF THE COMMITTEE

These include:

CUSTOMER

- reviewing how Sage is engaging with and securing feedback from its customers;
- considering customer performance metrics and understanding how customer engagement is being measured and assessed;
- reviewing performance against the customer strategy and future plans (including key customer insight metrics and channels);
- ensuring a good understanding of customer priorities, and Sage's response to them;
- ensuring that the representations to the Committee reflect Sage's commitment to equality and diversity of opportunity for customers and the workforce;
- ensuring customer participation, involvement and feedback is available to inform service delivery and development;
- reviewing any risks surrounding low levels of customer satisfaction and ensuring that mitigation plans are in place;
- encouraging innovation in Sage's customer engagement and its service delivery; and
- requiring new developments and best practice in customer service and engagement to be fully understood and embraced by Sage.

The Customer and People Committee continued

KEY RESPONSIBILITIES OF THE COMMITTEE

continued

PEOPLE

- reviewing staff engagement mechanisms, and considering the feedback received, and where needed, whether it is being actively addressed;
- overseeing the approach on the people agenda, and on how the organisation engages and enables a values-driven culture;
- reviewing any risks surrounding low levels of employee satisfaction and ensure that mitigation plans are in place;
- ensuring Sage's culture promotes diversity, inclusion and personal development;
- assessing the leadership of Sage against the Sage values and behaviours, and actively addressing any disparity;
- providing sponsorship and guidance for the workforce advisory panel – 'Sage Together' and the Customer Scrutiny Panel;
- monitoring and evaluating the balance of skills, experience, independence, and knowledge required on the Board and overseeing recruitment for Board and senior executive appointments on a proactive basis as well as in response to vacancies; and
- working closely with, and referring matters pertaining to its remit to, the Remuneration and Nomination Committee.

ACTIVITIES

During the year the Committee, among other things:

OVERALL ACTIVITIES

- reviewed and agreed matters in connection with its administration including its terms of reference, annual pattern of work and future meeting structure;
- discussed how to build a customer-centric Sage culture;
- considered how Sage's values could be embedded into the customer experience journey and the workforce behaviours required;
- held a discussion regarding experiences of working with third parties and how Sage's culture could help improve partner delivery; and
- received a presentation about the organisation's updated values, positioning statements and branding proposals.

CUSTOMER ACTIVITIES

- agreed matters in connection with the establishment of the Customer Scrutiny Panel such as its constitution, membership and scope;
- reviewed the results of surveys of customer transactional activities such as moving in, sales and defects remediation;
- received a report on the first meeting of the Customer Scrutiny Panel, noting the issues considered and suggested matters for its future discussion;
- considered a report on service management activity carried out on Sage's behalf by Places for People;
- discussed the Places for People and Optivo service management contracts;
- noted a report on the customer complaints process and the actions being taken to improve it;
- reviewed and discussed Sage's first customer perception survey; and
- received an update on the Customer Journey mapping project.

PEOPLE ACTIVITIES

- received 'People Reports' from the HR department updating the Committee on HR matters including joiners, transfers, leavers, training and diversity and inclusion matters;
- received presentations from the chair of the Sage Together panel and discussed the panel's activities with her;
- agreed updated diversity and inclusion policies and targets for 2022; and
- received an initial report on the workforce engagement survey.

We offer speed and certainty to housebuilders



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

Introduction

The Acquisitions and Development Committee spearheads the achievement of the Group’s strategic Corporate Plan, working to make sure the organisation has homes that are appealing to our customers and make good business sense for the Sage Group and its investors.

We have powers delegated by the Board to enable us to oversee and approve larger acquisitions which are greater than the authority given to the acquisitions team in the acquisition criteria plan, set out in the Group’s Financial Regulations and Standing Orders, but below the level which need to be directly approved by the Board. In effect we approve the majority of Sage’s acquisitions.

We offer speed and certainty to housebuilders by generally meeting each week. We enable 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 the Group 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 the Group’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 the Group’s acquisitions have been derived through the s106 model. In 2022 and beyond we see new models and opportunities arriving and we will help Sage take full advantage of those in order to help it meet its target of 30,000 homes.

Sydney Taylor
Chair of the Acquisitions and Development Committee
23 May 2022

“In order to respond rapidly to acquisition opportunities, the Committee generally meets each week.”

The Acquisitions and Development Committee

The Acquisitions and Development Committee (the ‘Committee’) has powers delegated to it by the Board to oversee and approve larger acquisitions. The Committee operates under terms of reference agreed by the Board at its inception in 2017. A copy of the terms of reference is available on the Company’s website. The Committee’s authorities are set out in the Group’s Financial Regulations and Standing Orders and are kept under review by the Board and updated from time to time.

MEETINGS

There were 45 meetings of the Committee in 2021 reviewing acquisition opportunities for the Group.

The Committee consists of three members. Given the scale of the acquisitions the Committee approves, the Group’s investors are closely involved in its work. At least two members of the Committee must be Directors and one must be an appointee of the Group’s parent.

The Committee’s membership varied during 2021 but, in accordance with its terms of reference, at each meeting at least one of the members who is also a Director plus a parental appointee, was present.

The Acquisitions Director and other members of the Group’s acquisition team attend Committee meetings and provide it with administrative support.

THE COMMITTEE

In order to respond rapidly to acquisition opportunities, the Committee generally meets each week.

At Committee meetings the Group acquisition team provides it with a schedule of proposed acquisitions, and supporting information, so that the Committee might consider and, if appropriate approve on behalf of the Board, Sage’s commitment to proceed with agreements with housebuilders to purchase homes from them.

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 the Group.

The minutes of Committee meetings are circulated to all Directors. In addition the Acquisitions Director provides a presentation at each full meeting of the Board updating it with the Committee’s recent activity including acquisitions approved and rejected.

KEY RESPONSIBILITIES OF THE COMMITTEE

These include:

- reviewing, considering and, if thought fit, approving any acquisition recommendations made by the Group’s executive management and the Company’s entry into contracts for the purchase of new-build housing development schemes which:
 - > fall above the acquisition criteria plan level approved by the Board;
 - > are below the level which need to be directly approved by the Board;
 - > are within Board approved programmes and budgets;
 - > where sufficient funds are available for this purpose; and
- monitoring the progress of the acquisitions and developments it and/or the Board have approved.

DIRECTORS' REPORT

The Directors submit their report and audited financial statements for Sage Rented Limited for the year ended 31 December 2021.

It is the Directors' responsibility to prepare the annual report and financial statements and they consider that the Sage Rented Limited annual report and financial statements 2021, 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.

DIRECTORS' REPORT DISCLOSURES

The Chair's statement and the Strategic report, including the Chief Executive Officer's review, Financial review, and ESG Report form part of this report and include:

- disclosure of the key performance indicators used to manage the business; and
- likely future developments.

CORPORATE GOVERNANCE

The Corporate governance report is set out on pages 40 to 46.

THE BOARD

The members of the Board are listed on pages 34 to 36 and except where noted below, held office throughout the year.

The Directors were as follows:

- John Brace
- Cedi Frederick (appointed 21 June 2021)
- David Godden
- Gemma Katakay
- Gareth Llewellyn (appointed 21 June 2021)
- Cindy Rampersaud (appointed 21 June 2021)
- Mark Sater (appointed 21 July 2021)
- Sydney Taylor
- Alison Thain

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 of their powers of the Company subject to statute, relevant regulation, the Articles and the Company's 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.

ANNUAL GENERAL MEETING

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

INDEPENDENT AUDITOR

The Company's auditor for the year ended 31 December 2021 was Deloitte LLP. Deloitte LLP has been reappointed auditor for 2022.

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, the Company has made qualifying third-party indemnity provisions for the benefit of its Directors against liabilities incurred in the execution of their duties.

EMPLOYEES

The Company 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 Workforce Advisory Panel, Sage Together, acts as a valuable information conduit between the Board and the workforce. The employees of the Company are instrumental in its success and the organisation works hard to maintain good relationships with its them through continual communications.

EQUALITY AND DIVERSITY

The Company takes the issues of equality and diversity seriously. By using the talent and skills available the organisation is able to build the strong team it requires to deliver the strategy for its business. The Company uses job-related objective criteria in the selection of candidates and when considering development opportunities. The Company is committed to providing a work environment free from harassment and discrimination. The organisation accepts its obligations to people with disabilities and endeavours to treat them fairly in relation to job applications, training, promotion and career development. 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.

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks and uncertainties facing the business are detailed on pages 22 to 24.

FINANCIAL INSTRUMENTS

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

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.

DIVIDENDS

No dividend was recommended or paid in the year or in the prior year.

POST YEAR END EVENTS

Sage as a group is investigating the possibility of utilising English Limited Partnerships within its structure.

For further details please see note 25 in the financial statements – Post Year End Events.

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

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 the Company'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 the Company, review and assessment of the risks facing the Company, and discussions with Sage's shareholder and investors who have confirmed their intentions to continue to support the Company 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 the Company have maintained sound risk management and internal control systems.

The Directors can report that the Company has a considered and well-developed business model to preserve and increase the value of the Company's assets and to deliver the objectives of the Company 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's business plan. In doing so the Board can identify possible funding requirements and plan for these with Sage'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, the impact of COVID-19 and constraints to future increases in debt funding availability.

The Directors have also considered the current geopolitical backdrop, rising inflation and interest rates, labour supply shortages, and the current weakening economic outlook. These have been reviewed in alignment with the mitigants Sage or its subsidiaries have in place, such as interest rate protection derivatives and the terms of the lease agreements of Sage's homes.

The Directors have assessed the Company's access to shareholder funding as well as debt financing and have a reasonable expectation that the Company 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 the Company.

Each year, on a rolling basis, the Directors draw up a strategic Corporate Plan for the business. In 2021, the Directors drew up the strategic five-year plan for the Company until the end of 2026. The Directors have determined five years to be appropriate as this fits well with the growth cycle that the Company is currently in and ensures the plan is aligned with Sage's 30 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, parallel and compounding, to the plan's assumptions.

Following their assessment of the above, and discussions with Sage'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 the Company has access to adequate liquidity to continue in operational existence for the foreseeable future.

The Directors' Report was approved by the Board on 23 May 2022.

By order of the Board.

Bridget Frisby
Company Secretary
 Sage Rented Limited

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

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 2019.

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 the Company, 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 the Company 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 the Company'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 the Company'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 23 May 2022.

By order of the Board.

Bridget Frisby
Company Secretary
 Sage Rented Limited

Financial statements



Doubling our portfolio in 2021 through the use of first-of-a-kind sustainable-rated financing.

INDEPENDENT AUDITOR'S REPORT to the members of Sage Rented Limited

Report on the audit of the financial statements

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 2021 and of its income and expenditure 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 regeneration Act 2008 and the Accounting Direction for private Registered Providers of Social Housing 2019.

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 Cash Flow Statement; and
- the related notes 1 to 25.

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).

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.

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.

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.

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

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.

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.

Report on the audit of the financial statements continued

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.

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.

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management and internal audit about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory frameworks that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act, pensions legislation, tax legislation; and
- 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.

We discussed among the audit engagement team regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud in the following areas, and our specific procedures performed to address this risk are described below:

VALUATION OF HOUSING PROPERTIES

- Tested the design and implementation of the controls over the preparation and review of managements impairment model as well as any additional controls that mitigate against the risk of impairment.
- Assessed and challenged management's impairment indicator review in accordance with SORP 2018 and FRS 102.
- Evaluated the determination of CGU's.
- Challenged management's recoverable amount calculations against management's expert valuations.
- Engaged with Deloitte valuation specialist to review judgemental inputs to calculations, such as discount rate.
- Completed a substantive review of slow-moving stock.
- Performed 'IPE' testing over the data utilised within management's impairment assessment.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

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

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management, internal audit and in-house/external legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance and reviewing internal audit reports.

Report on other legal and regulatory requirements

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.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- 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; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

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 FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London
United Kingdom
 23 May 2022

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2021

	Note	2021 £'000	2020 £'000
Turnover	3	13,446	2,098
Operating costs	3	(8,940)	(1,992)
Operating profit	7	4,506	106
Interest income	8	2,664	463
Interest expense	8	(10,594)	(1,591)
Loss before tax		(3,424)	(1,022)
Tax on loss	9	(1,002)	—
Loss for the year		(4,426)	(1,022)

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

The notes on pages 72 to 83 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION
at 31 December 2021

	Note	2021 £'000	2020 £'000
Tangible fixed assets			
Housing properties	10	417,138	195,222
Total fixed assets		417,138	195,222
Non-current assets			
Investment in subsidiary undertakings	11	15,895	—
Debtors: amounts falling due after more than one year	12	95,900	61,000
		111,795	61,000
Current assets			
Debtors: amounts falling due within one year	13	2,309	2,270
Cash at bank and in hand	14	7,104	6,063
		9,413	8,333
Creditors: amounts falling due within one year	15	(4,943)	(2,397)
Net current assets		4,470	5,936
Total assets less current liabilities		533,403	262,158
Creditors: amounts falling due after more than one year	16	(533,851)	(263,180)
Net liabilities		(448)	(1,022)
Capital and reserves			
Called-up share capital	17	5,000	—
Profit and loss account		(5,448)	(1,022)
Total shareholders' deficit		(448)	(1,022)

The financial statements of the Company (registered number: 11217855) were approved by the Board of Directors and authorised for issue on 23 May 2022.

They were signed on its behalf by:

Alison Thain OBE
Director

The notes on pages 72 to 83 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2021

	Share capital £'000	Retained earnings £'000	Total £'000
At 1 January 2020	—	—	—
Total comprehensive profit for the financial year	—	(1,022)	(1,022)
At 31 December 2020	—	(1,022)	(1,022)
Issue of ordinary share capital	5,000	—	5,000
Total comprehensive loss for the financial year	—	(4,426)	(4,426)
At 31 December 2021	5,000	(5,448)	(448)

The notes on pages 72 to 83 form part of these financial statements.

CASH FLOW STATEMENT
for the year ended 31 December 2021

	Note	2021 £'000	2020 £'000
Cash flow from operating activities	18	9,149	(1,460)
Cash flow from investing activities			
Purchase of housing properties		(224,954)	(195,756)
Grants received		5,340	1,326
Investment in subsidiaries		(15,895)	—
Interest received		781	—
Net cash outflow from investing activities		(234,728)	(194,430)
Cash flow from financing activities			
New share issue		5,000	—
Loans received		265,857	261,467
Loans advanced		(34,900)	(50,000)
Purchase of retention notes		—	(11,000)
Interest paid		(9,336)	(18)
Net cash inflow from financing activities		226,621	200,449
Net increase in cash and cash equivalents		1,041	4,559
Cash and cash equivalents at the beginning of the year		6,063	1,504
Cash and cash equivalents at the end of the year		7,104	6,063
Cash and cash equivalents consist of:			
Cash at bank and in hand		7,104	6,063
Total cash at bank and in hand		7,104	6,063

The notes on pages 72 to 83 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2021

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’ page.

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 for registered social housing providers (“Housing SORP 2018”) and comply with the Accounting Direction for Private Registered Providers of social housing from January 2019 (the “Accounting Direction 2019”).

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 as to the Company’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 the Company, and review and assessment of the risks facing the Company.

As referenced in the Viability statement, the Directors have assessed the Company’s access to additional shareholder funding as well as debt financing, and have a reasonable expectation that the Company 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

Turnover is shown net of any Value added tax (“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.

COST OF SALES

Cost of sales represents those costs incurred during the course of development of those properties and marketing and other incidental costs incurred during the course of sale of those properties. At the date a sale is recognised all costs are taken to cost of sales.

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.

1. ACCOUNTING POLICIES continued

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 CGU's 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 Greater London Authority – 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.

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 unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss.

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.

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:

- 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); and
- obsolescence of a property (i.e. 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, OPERATING COSTS AND OPERATING LOSS

	2021			2020		
	Turnover £'000	Operating costs £'000	Operating profit £'000	Turnover £'000	Operating costs £'000	Operating loss £'000
Social housing activities						
Social housing lettings	13,446	(7,895)	5,551	2,098	(1,992)	106
Other social housing activities						
Charges for support services	—	(1,045)	(1,045)	—	—	—
	13,446	(8,940)	4,506	2,098	(1,992)	106

Of the total turnover above, £nil (2020: £nil) was derived from outside the UK.

4. INCOME AND EXPENDITURE FROM SOCIAL HOUSING LETTINGS

	General needs	
	2021 £'000	2020 £'000
Turnover from social housing lettings		
Rents receivable net of identifiable service charges	13,330	2,077
Service charge income	94	11
Amortised government grants	22	10
	13,446	2,098
Expenditure on social housing lettings		
Management costs	(3,111)	(1,114)
Service charge costs	(365)	(11)
Maintenance and repairs	(1,228)	(142)
Bad debts	(126)	(177)
Depreciation on housing properties	(3,037)	(534)
Other costs	(28)	(14)
	(7,895)	(1,992)
Operating profit on social housing letting activities	5,551	106
Void losses	103	56

5. KEY MANAGEMENT PERSONNEL

The key management personnel are defined as members of the Board, and any other person who is a member of the Executive Team. No emoluments were payable to the Directors of the Company during the current year or the prior period.

6. EMPLOYEES' INFORMATION

The average monthly number of employees (incl. Directors) expressed in full-time equivalents during the year was:

	2021 Number	2020 Number
Non-Executive Directors	7	6
Senior managers and executives	—	—
	7	6

No emoluments were payable to the Directors of the Company during the current year or the prior period. The Company had no employees during the current and prior year and did not incur any staff costs.

Sage Housing Group Limited ("SHGL"), under its services agreement with Sage Rented Limited, and the other Registered Providers within the Sage Group, charges costs incurred in running the group back to the Registered Providers based upon their utilisation of the resources of SHGL and the costs incurred.

7. OPERATING PROFIT

	2021 £'000	2020 £'000
Operating profit is stated after charging the following:		
Depreciation of housing properties	3,037	534
Auditor remuneration (exclusive of VAT)		
In its capacity as auditor of the Company ¹	33	34

¹ No other services were provided by the auditor.

8. NET FINANCE EXPENSE

	2021 £'000	2020 £'000
Interest receivable and similar income		
Interest income on loan facility	1,679	271
Interest income on retention notes	985	192
	2,664	463
Interest payable and similar charges		
Interest expense on loans repayable	(8,525)	(1,327)
Interest expense on amounts owed to Group undertakings	(2,069)	(264)
	(10,594)	(1,591)
Net finance expense	(7,930)	(1,128)

9. TAX ON LOSS

	2021 £'000	2020 £'000
Current tax		
UK corporation tax at 19.0%	1,002	—
Adjustments in respect of prior periods	—	—
Tax on loss on ordinary activities	1,002	—
Deferred tax		
Origination and reversal of temporary differences	—	—
Total tax charge for the year	1,002	—

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

	2021 £'000	2020 £'000
Loss before tax	(3,424)	(1,022)
Tax on loss at standard UK corporation tax rate of 19%	(651)	(194)
Effects of:		
– fixed asset differences	594	101
– expenses not deductible for tax purposes	3	5
– corporate interest restriction	1,056	88
Total tax charge for the year	1,002	—

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

The UK corporation tax rate for the year was 19% (2020: 19%).

An increase in the corporation tax rate to 25% effective 1 April 2023, was substantively enacted on 24 May 2021. Deferred tax is calculated at the tax rate in the year in which the temporary differences are expected to reverse. There is no deferred tax in this Company.

10. TANGIBLE FIXED ASSETS – HOUSING PROPERTIES

	Housing properties for letting £'000
Cost	
At 1 January 2021	195,756
Additions	224,953
At 31 December 2021	420,709
Depreciation	
At 1 January 2021	(534)
Charge for the year	(3,037)
At 31 December 2021	(3,571)
Net book value	
At 31 December 2021	417,138
At 31 December 2020	195,222

10. TANGIBLE FIXED ASSETS – HOUSING PROPERTIES continued

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

	2021 £'000	2020 £'000
Freeholds	398,215	188,213

11. INVESTMENT IN SUBSIDIARY UNDERTAKINGS

	2021 £'000	2020 £'000
At the beginning of the financial year	—	—
Acquisitions	15,895	—
At 31 December	15,895	—

The total cost of investment in subsidiary undertakings is £15,895,000 (2020: £1). The total provision for impairment of investment in subsidiary undertakings is £nil (2020: £nil).

On 7 October 2021 the Company acquired 100% interest in Sage Borrower AR2 Limited for a consideration of £1. During the Company has purchased additional share capital in its subsidiaries, £275,000 and £15,620,000 in Sage Borrower AR1 Limited and Sage Borrower AR2 Limited, respectively.

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

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

	2021 £'000	2020 £'000
Retention notes	11,000	11,000
Loan facility	84,900	50,000
	95,900	61,000

Retention notes were purchased on 21 October 2020. These notes accrue interest at 9%. Sage is required to hold 5% of the bond notes (£11m) in regards to the senior facility agreement in note 16.

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. In the year the Company increased the size of this facility to £100m (2020: £56m). The loan is unsecured and accrues interest at 3.0%. As at year end the balance drawn on this facility is £84.9m (2020: £50m).

13. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2021 £'000	2020 £'000
Current tenant arrears	747	322
Amount owed by Group undertakings	646	1,948
Prepayments	667	—
Other debtors	249	—
	2,309	2,270

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

14. CASH AT BANK AND IN HAND

	2021 £'000	2020 £'000
Cash at bank and in hand	7,104	6,063

15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2021 £'000	2020 £'000
Amounts owed to Group undertakings (note 22)	1,367	—
Deferred government grant (note 20)	67	13
Accruals	3,214	2,384
Corporation tax payable	295	—
	4,943	2,397

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

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

	2021 £'000	2020 £'000
Senior facility agreement (note 22)	483,805	215,047
Amounts owed to Group undertakings (note 22)	43,518	46,830
Deferred government grant (note 20)	6,528	1,303
	533,851	263,180
	2021 £'000	2020 £'000
– between one and five years	495,071	255
– after five years	38,780	262,925
	533,851	263,180

In November 2021, the Company entered into a second senior facility agreement in which it 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 £645,000. Unamortised loan transaction costs of £4,215,000 have been netted off against the senior facility agreement.

16. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR continued

The Company still holds the senior facility agreement in which 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 in 2020. 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 3%). The senior facility agreement is due to be repaid in full by the Company on 15 November 2025. The senior loan facility between the 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 £819,000 (2020: £nil).

Unamortised loan transaction costs of £3,717,000 have been netted off against the senior facility agreement (2020: £4,953,000).

The Company's weighted average interest rate for amounts owed to Group undertakings is 3% (2020: 3%). These intercompany loans are for a ten-year term. These loans are not secured on the assets of the Company.

17. SHARE CAPITAL

	2021 £'000	2020 £'000
Shares of £1.00 each issued and fully paid		
At the beginning of the year	—	—
Issued during the year	5,000	—
At the end of the year	5,000	—

The Company has one class of ordinary shares which carry no right to fixed income. In the year the Company issued 5,000,000 ordinary shares at £1.00 each.

18. NOTES TO THE CASH FLOW STATEMENT

	2021 £'000	2020 £'000
Total comprehensive loss for the year	(4,425)	(1,022)
Depreciation	3,037	534
Net interest payable and similar charges	7,930	1,128
Taxation	1,001	—
Grant amortisation	(61)	(10)
(Increase) in debtors	(40)	(2,983)
Increase in creditors	1,707	893
Net cash inflow/(outflow) from operating activities	9,149	(1,460)

19. HOUSING UNITS

	2021 Number	2020 Number
Units owned and managed		
General needs rented housing – affordable	2,943	1,422
General needs rented housing – social	378	187
Total units owned and managed by the Company	3,321	1,609

20. CAPITAL GRANTS

	Social housing property grants £'000
At 1 January 2021	1,316
New grant recognised	5,340
Amortisation	(61)
At 31 December 2021	6,595
Amounts falling due within one year (note 15)	67
Amounts falling due after more than one year (note 16)	6,528

21. CONTINGENT LIABILITIES

The original amount of social housing property grants may become repayable, in addition to the amounts disclosed in creditors in notes 15 and 16. Through amortisation there has been £61,000 (2020: £10,000) grant funding credited to the Statement of Comprehensive Income to date. The timing of any future repayment is uncertain.

22. RELATED PARTY TRANSACTIONS AND BALANCES

Sage Investments 1 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 £46,830,000 (2020: £46,830,000). The outstanding balance at the year end was £43,519,000 (2020: £46,830,000). Interest is charged on an arm's length basis at 3%. This balance is classified as amounts owed to Group undertakings in note 16.

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

In the last quarter of 2021, the Company used financing supplied through a senior facility agreement with a subsidiary company, Sage Borrower AR2 Limited, to purchase 1,712 social housing units from sister Registered Provider, Sage Housing Limited. These units and the arrears associated with them 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 £84,900,000 (2020: £50,000,000). This balance is classified as amounts owed by 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 £7,829,000 (2020: £7,185,000). The outstanding balance at the year-end was £nil (2020: £1,279,000). This balance is classified as amounts owed by Group undertakings in note 13.

Sage Housing Limited provided the Company with an interest-free unsecured loan, the maximum value of which at any time was £393,000 (2020: £nil). The outstanding balance at the year end was £393,000 (2020: £nil). This balance is classified as Amounts owed to Group Undertakings in note 15.

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 £974,000 (2020: £nil). The outstanding balance at the year end was £974,000 (2020: £nil). This balance is classified as Amounts owed to Group Undertakings in note 15.

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 which at any time was £220,000,000. The outstanding balance at the year-end was £220,000,000. The Company has accrued interest of £819,000 in relation to this debt on the Statement of Financial Position. This balance is classified as a senior facility agreement in note 16.

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 £1,286,000 (2020: £669,000). The outstanding balance at the year-end was £646,000 (2020: £669,000). This balance is classified as amounts owed to Group undertakings in note 13.

22. RELATED PARTY TRANSACTIONS AND BALANCES continued

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 £270,400,000. The outstanding balance at the year-end was £270,300,000. The Company has accrued interest of £645,000 in relation to this debt on the Statement of Financial Position. This balance is classified as a senior facility agreement in note 16.

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

23. ULTIMATE PARENT COMPANY AND CONTROL

The Company's parent undertaking is Sage Investments 1 Limited, a company registered in the United Kingdom. This forms the smallest group and takes advantage of the small group exemption to not prepare group accounts. At 31 December 2021, 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 2021, Regis Group Holdings Limited had a 10% shareholding in Sage Investments Sàrl, a parent undertaking of the Company, with the remainder being owned by Rosemary Holdco Sàrl, a subsidiary of The Blackstone Group International Inc.

24. GROUP ENTITIES

The following undertakings are subsidiaries of Sage Investments Sàrl by virtue of the ownership of their share capital and are related parties of the Company.

Name of undertaking	RSH number	Shares held	Registered in	Principal activity
Sage AR Limited Partnership	—	100%	England	Development of housing for affordable lettings
Sage Borrower AR1 Limited	—	100%	England	Financing company
Sage Borrower AR2 Limited	—	100%	England	Financing company
Sage Housing Limited	4636	100%	England	Ownership and management of housing for social lettings and housing development for shared ownership sales
Sage Housing Group Limited	—	100%	England	Management company
Sage Housing Partnerships Limited	—	100%	England	Dormant
Sage Investments 1 Limited	—	100%	England	Intermediate holding Company
Sage Investments 2 Limited	—	100%	England	Intermediate holding Company
Sage Shared Ownership Limited	5082	100%	England	Ownership and management of housing for shared ownership
Sage SO Limited Partnership	—	100%	England	Development of housing for shared ownership

25. POST YEAR END EVENTS

Sage as a group is investigating the possibility of utilising English Limited Partnerships within its structure. The decision to do such has not yet been made. Were the restructure to proceed, Sage would transfer the majority of its work in progress homes to one of the partnerships being determined by their affordable rental or shared ownership tenure. Sage Housing Limited would be the general partner of both partnerships, with Sage Rented Limited being the limited partner of the affordable rent partnership, and Sage Shared Ownership being the limited partner of the shared ownership partnership. As such, the primary activity level within Sage Housing Limited would materially fall post the transfer as detailed above.

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

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

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