

Investors update

2022/23 ESG performance

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Agenda

- Our purpose & values
- Performance headlines
- Environmental & net zero
- Social
- Governance
- Summary & looking ahead
- Q & A

Our purpose & values



Founded in 1925, Midland Heart owns and manages c.35,000 homes and provides a range of quality services for c.70,000 tenants across the Midlands.

Our mission is to be:

A leading housing organisation, delivering homes and services across the Midlands that enable people to live independently.



Our Making What Matters Brilliant strategy focuses on:

- Being a top-class landlord
- Building as many social and affordable homes for rent as we can
- Being a great place to work and develop your career

2022-23 ESG headlines



20% carbon emissions reduction since 2019-20, maintaining progress to net zero within a WB2C pathway



c.£2.4 million in grant funding from the Social Housing Decarbonisation Fund Wave 2.1 with the West Midlands Combined Authority



Maximised tenant income by £2.5m, increasing income and reducing debt liability



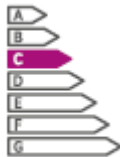
98% of our homes are now EPC D or above ahead of our 2025 target



2 first of their kind pioneering projects shaping UK net zero in domestic homes and power infrastructure



G1 V1 governance and viability and **A1 Moody's** ratings retained



68% of our homes are now EPC C or above ahead of our 2030 target



64 schemes have been transitioned to **full LED and smart lighting controls**



120 intervention schemes completed through the 4 year programme, £4.5 million invested in placeshaping



6,703 newly assessed and registered EPCs have captured the energy efficiency measures installed in our homes as we work towards EPC C by 2030

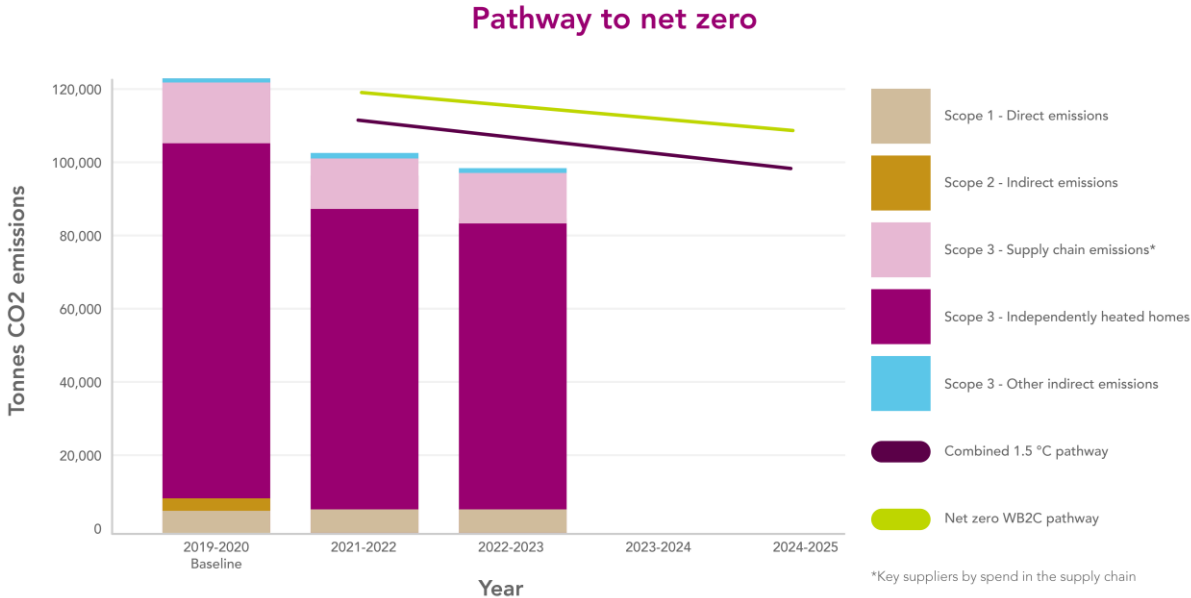


Tenant satisfaction around 90%



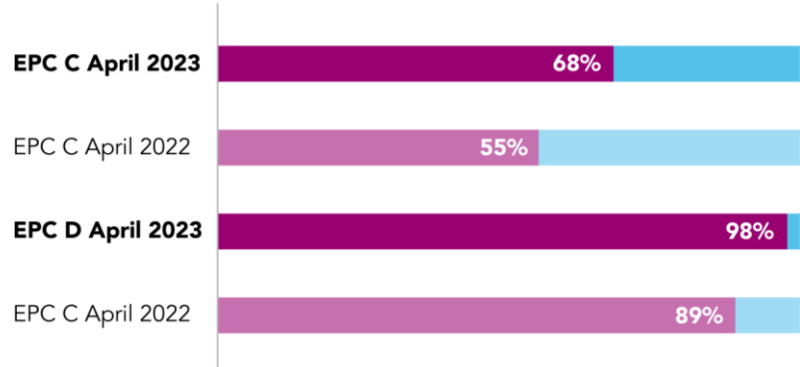
181 colleagues undertaking formal development activities

Environmental & net zero performance



- 20% total carbon emissions reduction against our 2019-20 baseline
- 2022-23 6,703 EPC registrations and uplifts reduced emissions in the homes we rent and the homes we build by 18%
- Project 80 new homes achieved EPC A and an 80-90% carbon reduction

Target EPC C by 2030



Ranked 13th out of the 40 most recent SHIFT assessments. Improving our scoring significantly since last year

2022-23 case studies

Launching the pioneering Project 80 report

- The homes performed to their design specification, keeping residents warm and energy costs down despite a rise in energy market costs generally.
- The energy, environmental conditions monitoring systems and essential tenant feedback also helped us understand which technologies and systems were most efficient and user-friendly for our tenants.

Reroofing with solar PV



Each year over 100 of our homes need to be 're-roofed' to ensure our homes are kept warm and dry. Re-roofing works can require extensive scaffolding and the nature of the works mean that the roof can be left exposed.

We are combining retrofit measures to take advantage of our existing programme.

- We are oversailing our roofs to allow enough overhang for EWI to be safely and securely installed on the surrounding external walls, preventing the cost and time for future oversailing works impacting the installation of EWI.

- We are topping up loft insulation to 400mm, where possible, to pre-empt future standards and maximise energy efficiency and SAP scoring for our tenants.
- We are embedding solar PV in the new roofs, utilising scaffolding and the project timeframe to fit panels in the roof and start to provide carbon emissions free energy to the resident.

At our recently completed Wolverhampton homes, through solar PV alone, the majority of our homes moved from EPC D to EPC B following the works; ahead of our 2030 target.

Introducing our HomeChecker tool



HomeChecker has been created to provide assurance that our properties are safe, secure, and well-maintained.

The online form is completed by every colleague that visits a property, grading the condition as 1 (no concerns) to 4 (immediate concerns). The form prompts feedback on the exterior and interior of the property as well as the cleanliness, any safeguarding concerns, and the condition of fire doors, where required. This helps us spot concerns before they are flagged to us, enabling us to better support our tenants. Since its launch, our colleagues have completed over 56,000 HomeChecker forms.

In a recent example, a property was graded as a 4 on a routine property inspection. Our maintenance colleague raised concerns around the cleanliness, hygiene, and general upkeep of the home. The grade 4 triggered an emergency meeting between senior managers from Maintenance, Tenancy Services and Estates within 24 hours. A support plan was in place for the tenant, including a dedicated case officer, a referral to the Money Advice team, along with the planned repairs to the property.

Repairs Online

As part of our digital programme, we have rolled out our online repairs app to colleagues across the business to ensure we respond quickly when our tenants raise an issue with us.

Connect360 is our online colleague app which enables front line colleagues to easily view holistic tenancy and repairs information so they can help our tenants with a wide range of issues. This new addition to the app allows colleagues to proactively report repairs whilst on site. The next step in the digital programme, giving tenants the ability to raise repairs, was launched in April 2023. Following a successful pilot in Wolverhampton, this has now been rolled out across our geography.



Social value



Making places Brilliant

Nearing the end of our 4 year intervention programme. Completing 120 out of the proposed 150 schemes to date, investing over £4.5million.

- 74% of tenants see themselves living in their homes for the next 2-3 years.
- 84% of tenants are satisfied with the safety and security of the building they live in. An increase of 34% compared to the baseline survey.
- 86% of tenants would recommend living at the scheme to others. An increase of 31% compared to the baseline survey.

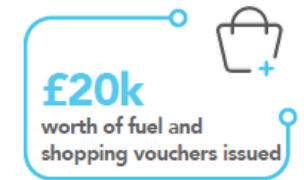
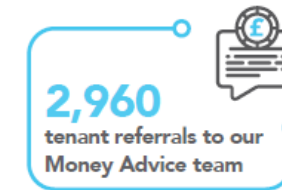
Developing our people

- Named on the Inclusive Companies UK's Inclusive Top 50 Employer's list which recognises our investment in diversity and inclusion.
- 17 early career apprentices with a further 7 degree apprentices joining us in September 23. Our apprenticeships range from Level 2 to Level 6 in subjects such as Surveying, Administration, Electrical and Digital Technology.
- Our internal mobility is at 25.7% as we continue to encourage trainee/developmental roles to grow our own in some cases utilising our apprenticeship levy to fill knowledge and skill gaps.



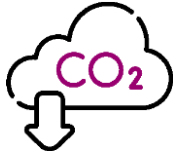
Supporting tenants through the cost of living

This year our Money advice team maximised tenant income by £2.5m, increasing income and reducing debt liability.



- **Highest rating for tenant engagement activities in SHIFT**
- **Midland Heart lead APPG on Anti-Social Behaviour (ASB) published its first report into working together to better address ASB**
- **Sustained tenant satisfaction at around 90%**

Governance



Defined our ESG Governance framework to drive low carbon and our commitment to ESG



Developed strategic partnerships to facilitate change and install increased capacity



Showcased our embedded UN Sustainable Development Goals and updated performance



Maintained financial strength through robust financial planning



Strategy & risk

Corporate objectives

- EPC D or above on all our properties by 2025
- EPC C or above on all our properties by 2030
- Net zero carbon emissions by 2050 in the homes we rent, the homes we build and the way we work



Outlined climate change risk management including our strategic transitional risk and the associated physical risks

Transitional risk around decarbonisation and emerging physical risks:

Decarbonisation		Strategic risk
SR6 Failing to comprehend and plan for decarbonisation		
Potential impacts:	Opportunities:	Threats:
<ul style="list-style-type: none"> • Regulatory sanctions • Reduced appeal to investors / low take up in future bond issues • Missed grant / funding opportunities • Adverse financial pressure (due to grant funding uncertainty) • Reputational damage 	<ul style="list-style-type: none"> • ESG early adoption • Improved EPC compliance • Strategic focus / delivery • Efficiencies from strategic partnerships such as access to funding 	<ul style="list-style-type: none"> • Changing regulation and planning • Costs to achieve EPC D/C in time • Increasing supplier costs due to demand and resource availability • Poor tenant uptake due to affordability constraints or misuse of new technology
Our actions include:		
<p>Low carbon as a key priority in the Corporate Plan, approved by the Board, including delivery of retrofit initiatives</p> <p>ESG Committee governance and reporting to Board</p> <p>Carbon Reduction Plan and targets</p>	<p>c.£80m in the Business Plan for EPC C in all our homes by 2030</p> <p>£4.6m BEIS/DESNZ SHDF grant funding through WMCA consortium bids</p> <p>SAVA Intelligent Energy software helps model low carbon initiatives and the relevant cost</p>	<p>Strategic collaboration creation (e.g. British Gas)</p> <p>We employ a retrofit team and sustainable professionals with specialist knowledge to achieve energy and cost efficiency.</p> <p>Learnings from Project 80, the Future Homes Standard pilot</p>

Sustainability through financial strength



Strong financials retaining a sector leading **A1 stable Moody's** credit rating



Immediate **availability of c£247m of cash** & undrawn facilities plus £75m retained bond



G1/V1 rating awarded by regulator following July 2021 in-depth assessment



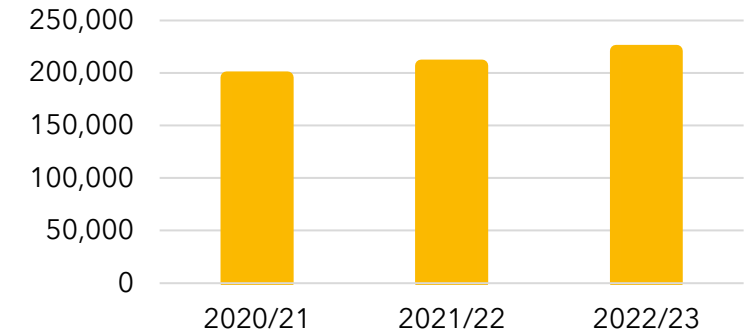
Maintained **a robust financial plan** capable of withstanding realistic downside scenarios



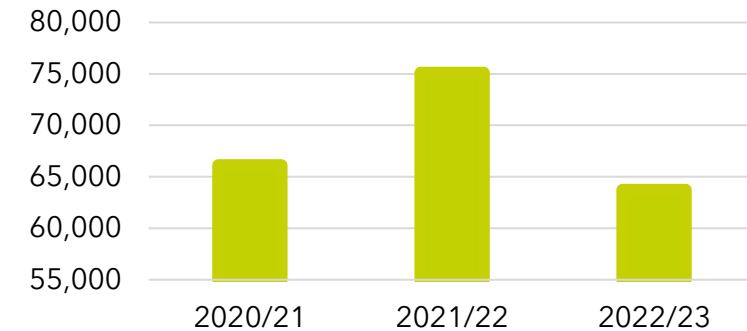
Strong VFM metrics



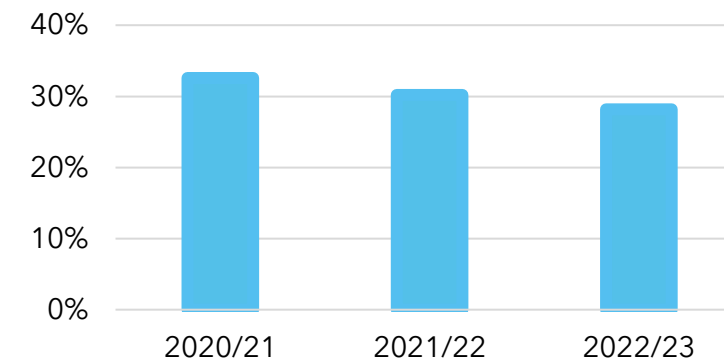
Turnover



Operating Surplus



Operating Margin %



Our journey to net zero

2022 - 2023

2019

2022

2023

2025

Inception of the Carbon Reduction Plan

Making What Matters Brilliant milestone

ESG Governance Framework cemented

Delivering solar PV as part of reroofing

SHDF Wave 2.1 WMCA bid successful

Handed over our Project 80 FHS homes to tenants

Demand side response pilot commenced and award shortlistings announced



AICO sensors measuring environmental conditions in homes

c.400 EPC Es remaining ahead of 2025



Office sustainability plan launched

On site for SHDF Wave 1 works

All new key contract tenders completing the sustainable procurement framework

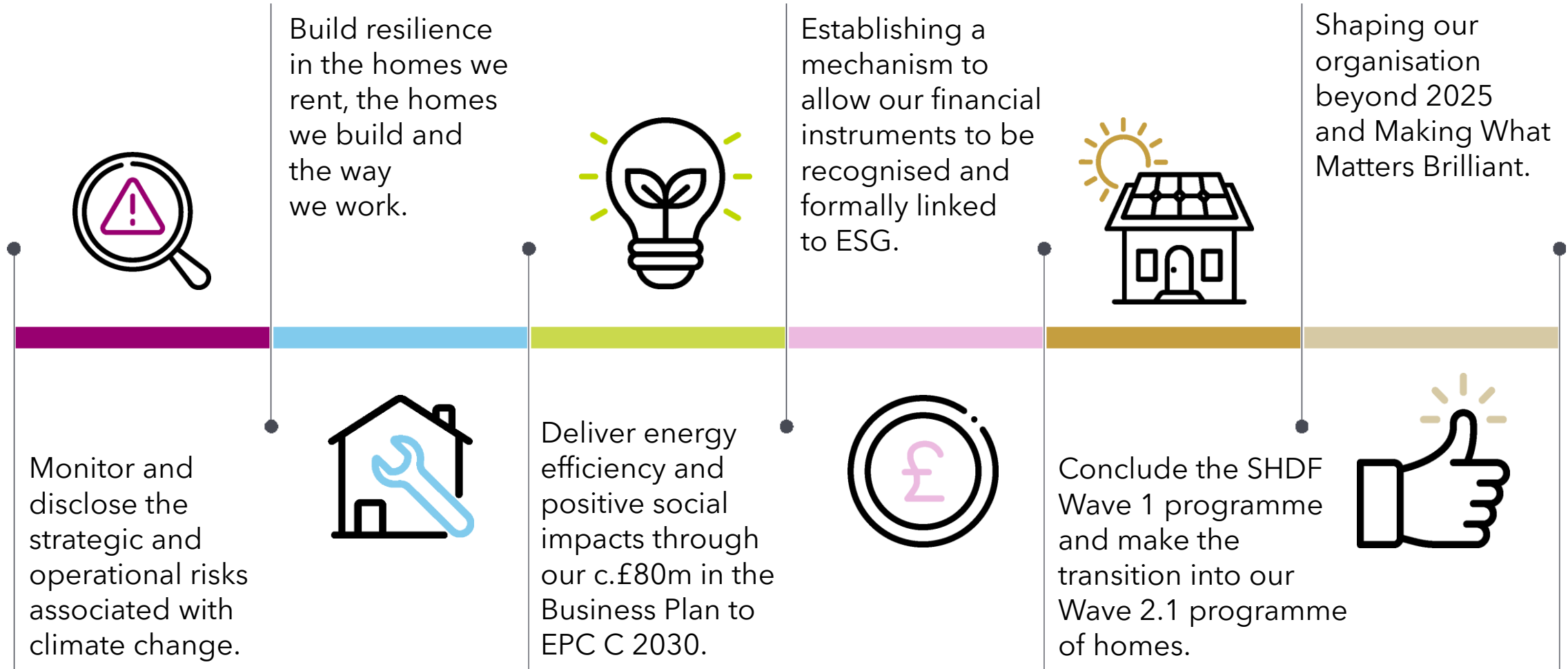
New West Midlands Hub office purchased

EPC D void policy

Delivering innovative triple glazing as standard



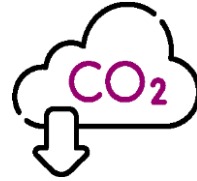
Looking ahead



Summary



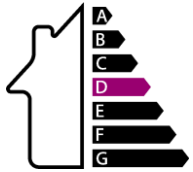
Retained our G1 V1 status from the Regulator of Social Housing and maintained our **A1 credit rating with Moody's**



20% total carbon emissions reduction against our 2019-20 baseline



Supported our tenants through the cost of living crisis, we **maximised tenant income by £2.5m**, increasing income and reducing debt liability



Successful Social Housing Decarbonisation Fund (SHDF) Wave 2.1 bid drawing down an additional £2.4m to support the £10m already dedicated to achieving EPC D in all our homes by 2025



On track to achieve our corporate EPC targets of **98% of homes at EPC D** and **68% at EPC C 2025 and 2030** respectively



Maintained our status as a **leading regional employer**, increasing our Best Companies ranking as a **great place to work in housing**



Delivered a series of **UK and sector firsts** in energy efficiency and net zero



Shown a unique ability to adapt **collaboratively** to overcome key challenges faced by the sector



Any questions?