



CLARION
HOUSING GROUP

Clarion Housing Group

Presentation to Fixed Income Investors

February 2023

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Sourcing – Unless otherwise stated; Clarion Housing Group Annual Report and Accounts 2021/22, Clarion Housing Group Half Year Results 2022/23 and Clarion Social Impact Report 2021/22.



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Group Overview

Key Credit Strengths



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- **Financial strength and discipline**

- Half year results show a resilient performance in a challenging operating environment – net surplus £101m (2021: £100m), £150m operating surplus (2021: £156m) and £480m revenue (2021: £512m)
- Strong liquidity and access to diverse sources of financing
- Board focused on supporting strong credit profile
- More than 1/3rd of rental income direct from HM Government

- **Ability to respond to challenging external conditions**

- Detailed and robust stress testing of financial plans
- Clarion has control over its financial resilience, with multiple levers identified to respond even to 'perfect storm' external conditions

- **Geographically diversified and cautious development programme**

- More cautious approach reflected in lower first half housing delivery, reflecting the economic and market conditions
- Increasing use of joint ventures to manage risk profile of opportunities

- **Social impact and sustainability at the heart of what we do**

- Increased focus on our residents, support through the cost of living crisis, and a plan to deliver on energy efficiency performance

- **Stable and experienced management team**

- New board member Rachel Fletcher brings a wealth of regulatory experience



c. **1.1bn**
liquidity



A3/A-
Rated



80.9%
Overall customer
satisfaction



Cautious approach
to development risk



Strong focus on
Sustainability



c. **125,000**
homes

Our Strategic Roadmap



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1

Our customers

Clarion delivers a consistently good quality experience.

Clarion provides support and creates opportunities which help customers to achieve their aspirations.



2

Our homes and communities

Clarion homes are good quality, safe, sustainable and affordable places to live.

Clarion is a leading developer of high-quality, sustainable and affordable housing.

Clarion creates and manages good quality, distinctive places which enhance wellbeing and enable communities to flourish.



3

Our people

We attract the best people with the capabilities needed to deliver our ambition.

We create an inclusive environment enabling people to thrive and do their best work.

We have authentic leaders who deliver results and make our people feel valued and inspired.



4

Our business

Clarion manages its resources to achieve the maximum financial and social impact for our business and our customers over the long term.

Clarion has a clear, consistent and ethical reputation which we use to shape our operating environment.

Clarion maximises our use of technology to enable our business to run effectively so that our customers and our people enjoy excellent experiences.

Clarion is a resilient, sustainable and adaptable business that can confidently evolve to meet the demands of our changing environment.



A CLEAR FOCUS ON THE OUTCOMES WE WANT TO ACHIEVE IS PART OF OUR FORWARD PLANNING FOR FUTURE SUCCESS

Our Operating Environment

- **Significant challenges ahead:**

- Cost of living crisis
- Anticipated recession
- Construction challenges in supply
- Double digit inflation
- Rent settlement
- 2050 net zero carbon target
- Rising interest rates

- **But Clarion is well positioned to respond:**

- Clarion Futures service supporting residents with financial concerns
- Strong funding and liquidity position
- Joint ventures and risk sharing reduce risks of contractor failure
- Cautious approach to new development
- Stress tested business plans show resilience even with rent cap
- Government support through grant and policy will be needed
- Clarion's interest rate exposure carefully managed and c.90% hedged



Housing
Ombudsman Service



CLARION IS WELL PLACED TO OPERATE IN A COMPLEX AND VOLATILE ENVIRONMENT



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Operating Overview

Operational Highlights



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| | 12 MONTHS TO 31 MARCH 2021 (FY 2020/21) | 12 MONTHS TO 31 MARCH 2022 (FY 2021/22) | 6 MONTHS TO 30 SEPTEMBER 2022 |
|--|--|--|---|
| RESIDENT SATISFACTION | 80.7% | 83.4% | Not available due to the cyber incident |
| RESIDENT SATISFACTION WITH REPAIRS | 88.8% | 90.5% | 89.9% |
| ARREARS | 5.7% | 5.7% | 8.5% |
| HOMES OWNED AND MANAGED AT THE END OF THE PERIOD/YEAR | 125,514 | 124,860 | 124,646 |
| OCCUPANCY RATE | 98.3% | 98.3% | Not available due to the cyber incident |
| SOCIAL VALUE OF COMMUNITY INVESTMENT ACTIVITY | £107m | £130m | £55m |
| TOTAL HOMES COMPLETED | 2,126 | 2,276 | 785 |
| AFFORDABLE HOMES COMPLETED | 1,916 | 1,957 | 658 |

**Resident
satisfaction
at end of
December
2022 was
80.9%**

**Occupancy
rate at end
of December
2022 was
98.6%**

86%
Of completed
homes are
affordable

FOCUSED ON DELIVERING A CONSISTENTLY GOOD QUALITY CUSTOMER EXPERIENCE

Responding to the Needs of our Residents



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As a responsible social landlord, we place the **needs of our residents** at the front and centre of all that we do:

- Carried out an average of c. **1,000 repairs per working day** in 2021/22:
 - 91.4% of which were fixed without another visit being needed
 - a repairs satisfaction score of **90.5%**. An improvement from the previous financial year 20/21
- Overall customer satisfaction stood at **83.4%**
- Online live chats across the financial year 21/22 increased to 34,120. (+140% on the previous year)
- Rated 4 stars on Trustpilot

- Active collaboration with the Housing Ombudsman following their investigations has led to action:
 - dedicated Quality Team established to oversee the quality of complaint handling
 - regional complaints-focused panels set up to further strengthen accountability and timely responses
 - resident liaison officers used to case-manage more complex repairs
- Damp and mould action plan in place with 100 new staff being recruited



Clarion Housing

Reviews 9,459 • Great



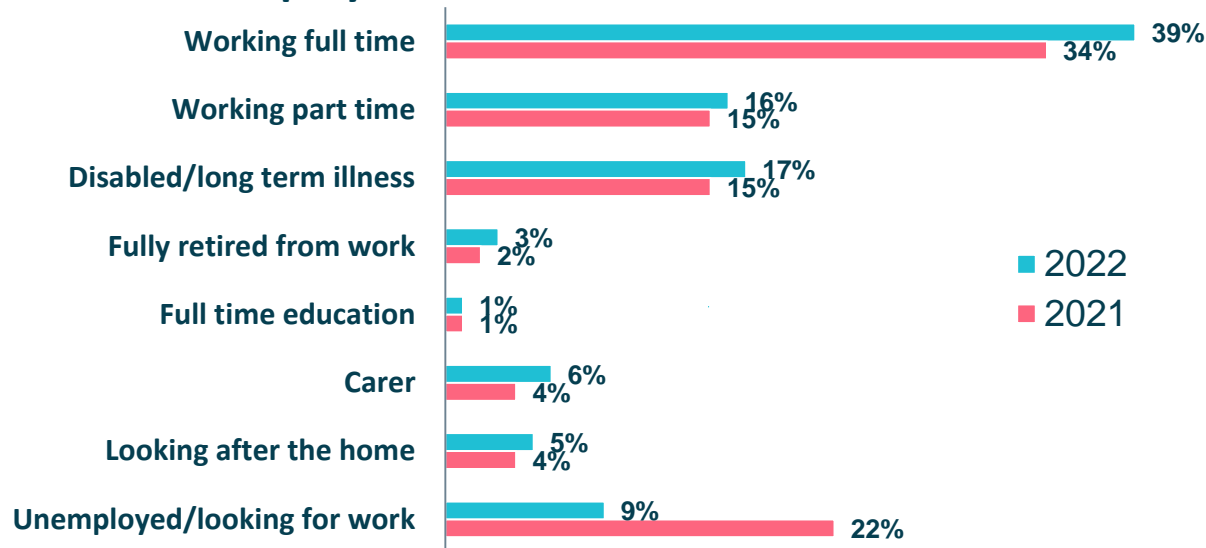
✓ VERIFIED COMPANY

THE NEEDS OF OUR RESIDENTS ARE AT THE FRONT AND CENTRE OF ALL THAT WE DO

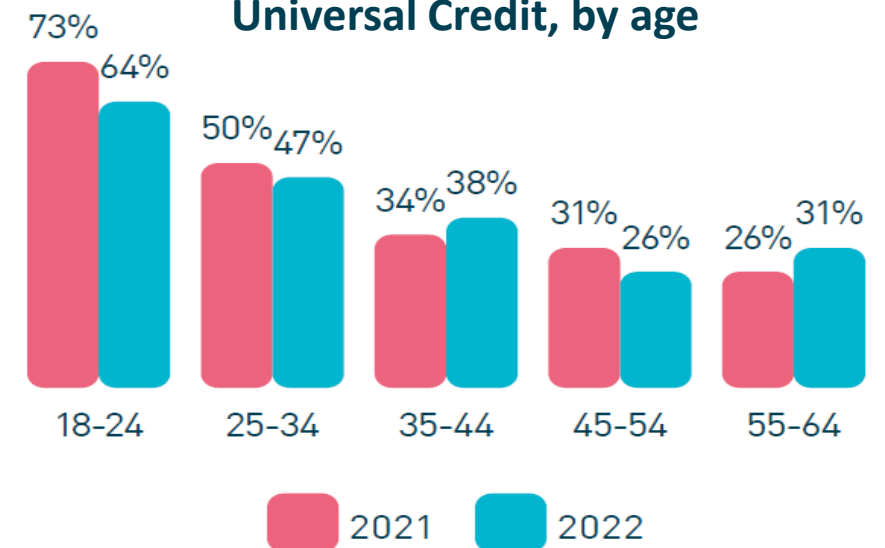
Residents

- 27% of Clarion rents collected directly from the government through housing benefit
- A further 8% is collected directly through universal credit
- Over £240m income direct from HM Government in 2021/22
- 56% of working-age Clarion residents are in paid work
- Only 9% of all residents are unemployed/looking for work, down from 22% last year

Employment status of residents



Percentage of residents in receipt of Universal Credit, by age



ROBUST CUSTOMER INSIGHT ANTICIPATES IMPACT OF CHANGES

Fire & Building Safety



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- **Limited exposure to high risk buildings:** 67 high rise buildings, all of which have been inspected. 58 need no further action, with 9 in progress.
- **Dedicated Building Safety Team** and expanding the team of in-house building safety managers.
- Strong focus on **sector-leading innovative solutions**
 - **Digital Twin** – creating unique Golden Thread of information
 - **Safety Case for HRBs** – first examples for the sector
 - **Resident Engagement** – early adopter
 - Underpinned by strong **Technical Capability**
- **Building Safety Fund** – successful application for all 6 of our Building Safety Fund sites (£7.1m).
- **c. £160m investment in fire remediation** and building safety planned to 2026, with **£117m spent to date**.



PROACTIVE SECTOR-LEADING TOTAL SAFETY APPROACH

Cyber Security

- Following a cyber incident in June 2022 we have been focusing efforts on the parallel activities of recovery and bolstering security
- Key treasury systems were resilient and there was no impact on the funding and liquidity operations of the group
- All systems are now operating as normal and customer facing operations have resumed
- We have moved to a managed 24x7 Security Operations Centre with our partner Quorum Cyber
- No evidence of data theft from cyber incident
- No specific weakness identified in Clarion's systems – many attacks are repelled but one attack 'got lucky'
- We have accelerated plans to modernise our technology on modern cloud platforms as a key element of improving our security posture. Much of this is in partnership with Microsoft as our strategic cloud provider.
- Cost of incident modest but significant impact on arrears due to the failure of telephony system and one of our direct debit systems



CYBER SECURITY REMAINS A PRINCIPAL RISK AND HIGH PRIORITY FOR CLARION



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Development Overview

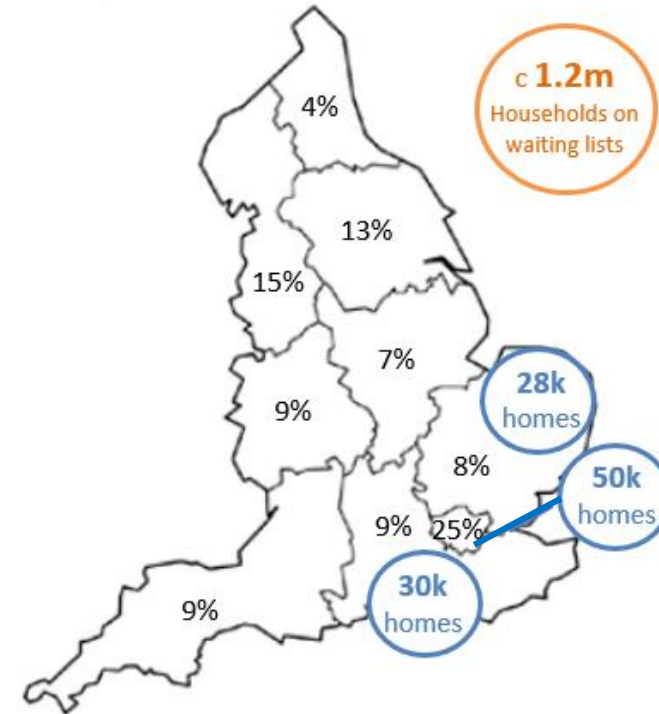
Development Overview

- ◆ **Robust governance structure and processes**, including a rigorous investment appraisal methodology
- ◆ **Continue to flex development strategy** in line with prevailing market conditions
 - Slower growth to 3,200 new homes, with development expected to be broadly flat in coming years
- ◆ Continued **flexibility** to adjust expenditure
- ◆ **Quality and energy efficiency are key priorities**
- ◆ Pipeline of c. 21,000 units, with a **geographical spread and a mid market positioning**
 - not focusing on high end London residential
- ◆ Continual monitoring of sales risk, with risk increasingly shared via JVs
- ◆ **Limited private sale exposure**
- ◆ **Sustainable Development road map** - deliver zero carbon compatible homes & move from fossil fuel heating systems

785 NEW HOMES IN FIRST HALF OF 2022/23, OF WHICH 86% WERE AFFORDABLE HOUSING

Geographically Diversified National Footprint

- Of our c. 125,000 homes:
 - c. **50,000** are in **Greater London**, generating **42%** of rental income
 - c. **30,000** are in the **South East**, generating **27%** of rental income
 - **92%** of rental income in Greater London, East of England and South East
- **Large demand** in these areas with high number of households on the social housing waiting list at the end of 2021:
 - 296,322 households in London
 - 112,798 households in the South East
 - 99,604 households in the East
- Our **national footprint** protects against regional trends and risks



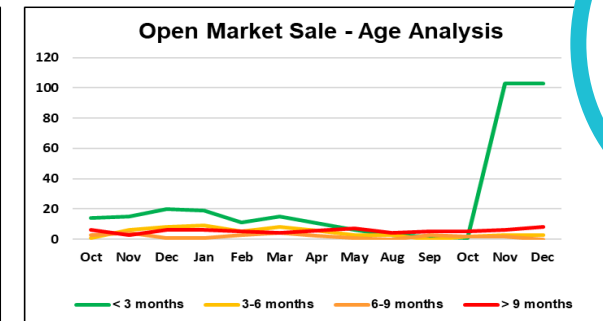
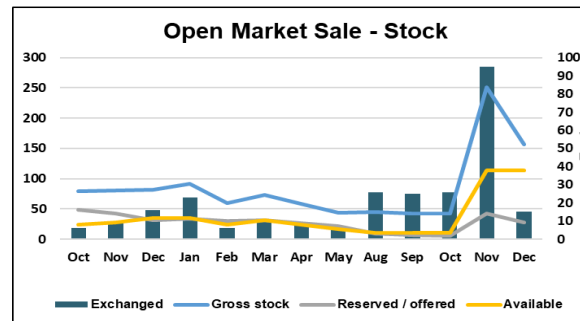
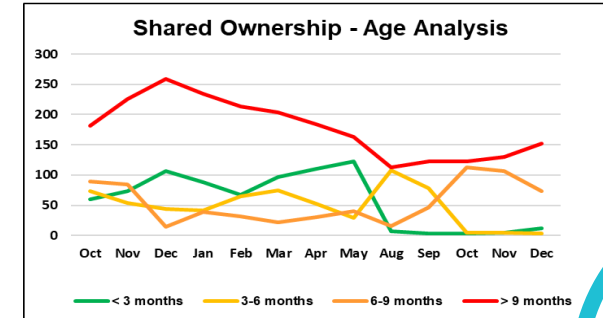
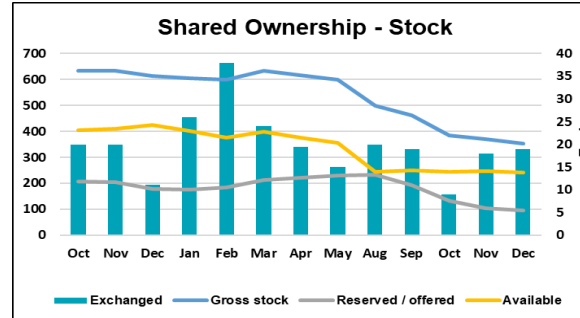
OUR NATIONAL FOOTPRINT ENSURES A STRONG DEMAND FOR OUR HOMES

Sales and Development Performance



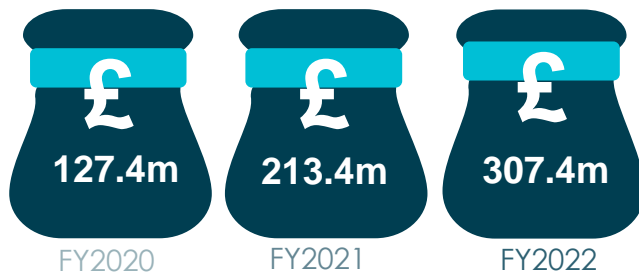
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- Record year for PS and SO in 2021/22
- Cautious on outlook but market continues to be resilient with positive indicators on current SO sales.
- De-risking our future sales pipeline through forward sales programme (59 Market Sales as of end of December) and conversion to JVs
- Delivered 2,276 new homes in 2021/22, of which 1,946 (86%) were affordable

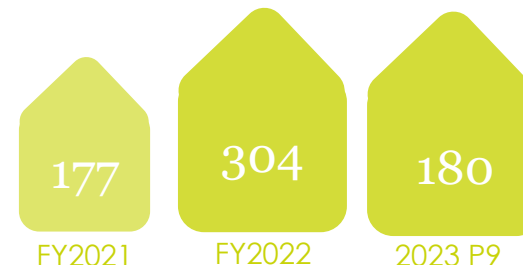


304
MS + SO
reservations
and
exchanges as
of December

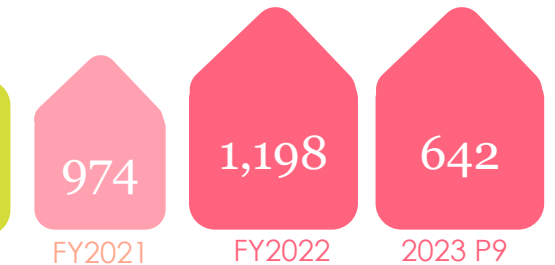
SALES TURNOVER



MARKET SALES UNITS



SHARED OWNERSHIP UNITS



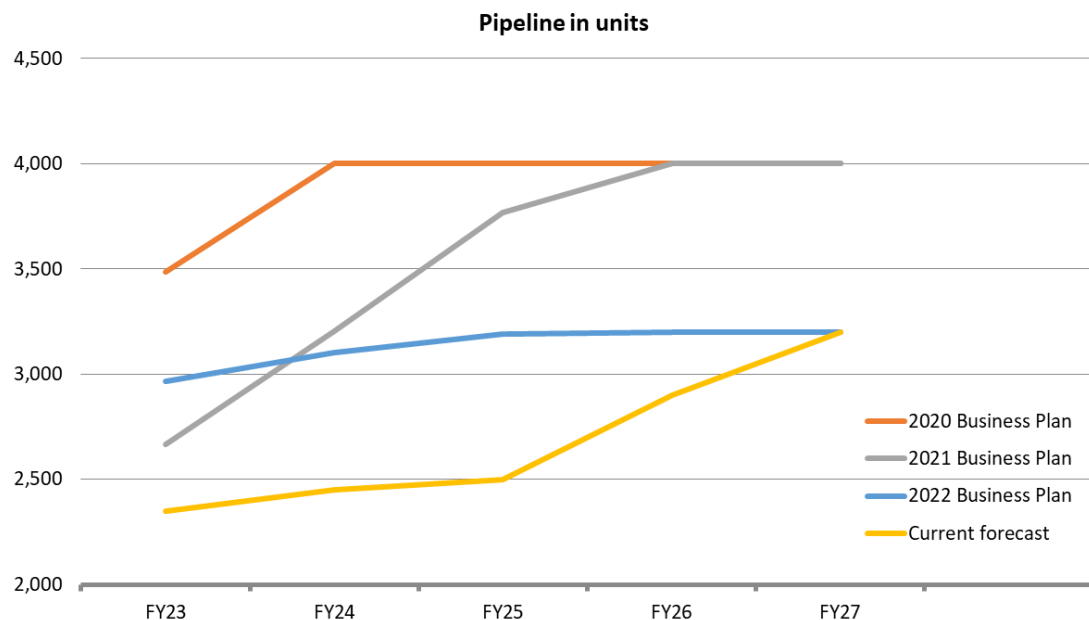
2,276 NEW HOMES DELIVERED IN 2021-22 – ON TARGET FOR 2,200-2,300 IN 2022-23

Development Pipeline



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| Unit sales | FY23 | FY24 | FY25 | FY26 | FY27 | % split |
|-------------------------|--------------|--------------|--------------|--------------|--------------|---------------|
| Sub Market Rent | 856 | 809 | 962 | 1,045 | 1,280 | 40% |
| Shared Ownership | 959 | 907 | 960 | 960 | 960 | 30% |
| Private Sales | 535 | 734 | 578 | 895 | 960 | 30% |
| Current forecast | 2,350 | 2,450 | 2,500 | 2,900 | 3,200 | 13,400 |
| Total 2022 Plan | 2,965 | 3,101 | 3,192 | 3,200 | 3,200 | 15,658 |
| | -615 | -651 | -692 | -300 | 0 | -2,258 |



OVERVIEW

- Flexible longer-term target of delivering up to **3,200 new homes from FY27**
- **65% of new homes delivered being affordable**, with affordable rent 35%, shared ownership 30% and market sale 35%
- **LTFP 2022**: revised phasing of delivery, showing flexibility and willingness to adjust development programme
- C.2,250 fewer units to be delivered over the next 5 years compared to LTFP 2022
- LTFP 2023 will consider further revisions in light of operating and grant environment

**Rephasing reflects
our prudent and
flexible development
approach**

CONTINUED PRUDENT AND FLEXIBLE APPROACH TOWARDS DEVELOPMENT

Regeneration Update

Group Programme

- 3,850 new homes planned from regeneration programme
- £1.8bn Investment
- £140m subsidy for affordable homes

Merton Regeneration Update

Eastfields

- 811 homes with planning permission
- Development of first 201 homes starts in Summer 2023
- 98 homes at decant site starts in Spring 2023



High Path

- Phase 1 completed - 134 homes with 80 social rented and 54 for homeowners
- Phase 2 – 113 homes start on site in May
- “Best Large Social Housing Development” at 2023 Local Authority Building Control Awards
- Further phases planned



Ravensbury

- Phase 1 - 21 homes completed
- Phase 2 – 54 homes under construction for planned completion in October
- Phase 3 – Start on site December



c.6,750 HOMES COSTING £2.9bn OF WHICH c.3,000 WILL BE AFFORDABLE



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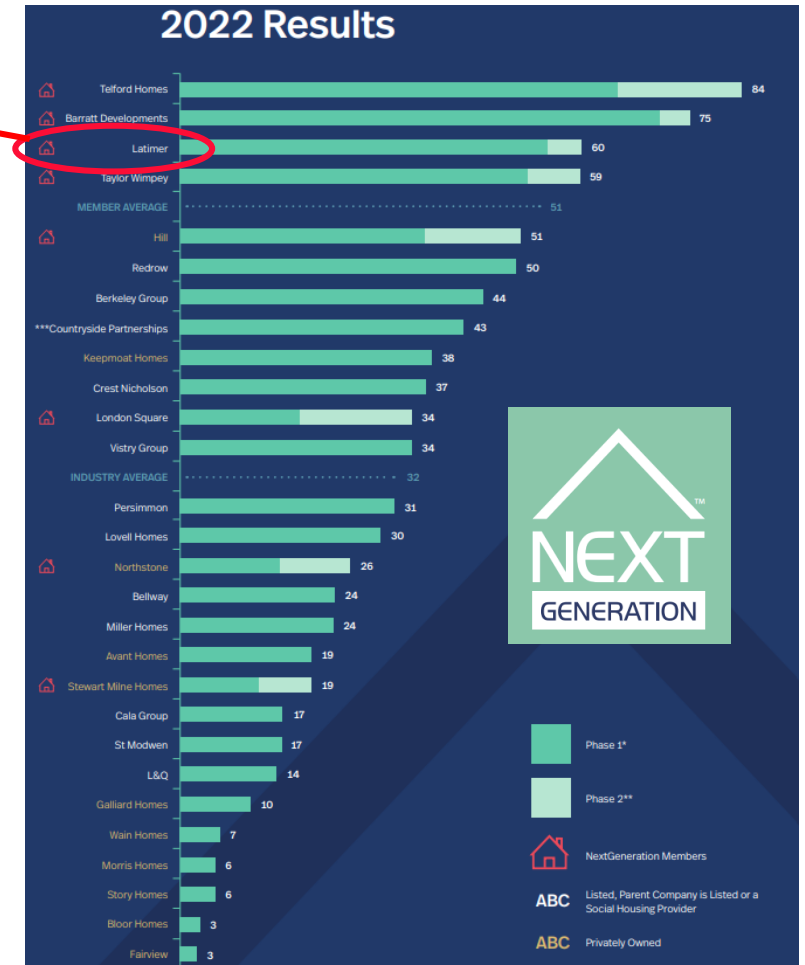
Environment,
Social +
Governance

ESG Snapshot

“Adding social value is not just a passage in an annual report, it is what we’re here to do.”

- Latimer ranked most sustainable not-for-profit house builder and 3rd overall in Next Generation rankings of most sustainable house builders
- Target net zero 2050 for scope 1,2 and 3 emissions, with demonstrable progress made
- 86% of homes delivered in 2021/22 were affordable
- Founding members of the sustainable reporting standard
- £1.45bn of sustainable finance raised since 2019

Achieved Ritterwald Certified Sustainable Housing Label since 2019

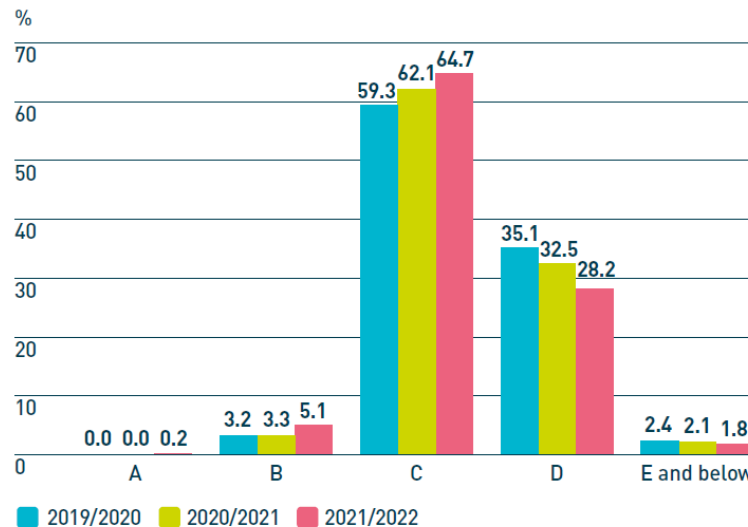


2021/22 Performance Highlights

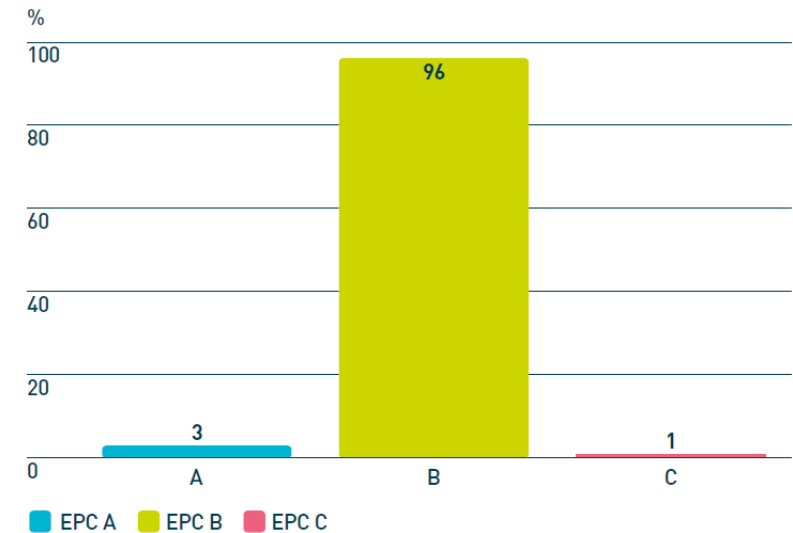
- Environment

- Improvement of energy efficiency is central to the Clarion 2040 strategy, a major programme of investment to upgrade our properties
- Treating/eliminating the lowest EPC rated properties with the aim for all properties to be rated EPC D or above by 2025 and EPC C or above by 2030
- Year-on-year improvements in EPC ratings of stock due to targeted investment programmes
- 99% of new build had an EPC B or higher in 2021/22, up from 94% in 2020/21

EPC ratings of existing homes



2021/22 EPC profile (new build homes)



SOCIAL HOUSING DECARBONISATION FUND (SHDF)

After a successful involvement in the SHDF Demonstrator Phase with 115 homes, we were awarded £5.2m from BEIS to upgrade a further 450 homes in Fenland, Merton and Tonbridge & Malling as part of Wave 1. We have submitted a bid for Wave 2.1 to deliver a package of thermal fabric improvements and renewable technology heating solutions to c. 6,000 fuel poor homes over a 3 year programme. The total cost of the programme is c.£108m.

Clarion Futures

- Clarion Futures is our charitable foundation, working at every level in our communities, focusing on key social issues. Its support creates communities, provides jobs & training, promotes digital inclusion and advises our residents on financial matters.
- Some selected 2021/22 financial year achievements:
 - Granted **£611,000+** to food banks, community groups, and local charities
 - Helped **3,717 people into stable work**
 - Provided **1770 grants to people** to alleviate financial hardship through a special grant for household goods such as fridges and cookers, or food vouchers, or vouchers for free gas or electricity
 - **3,945 residents** supported with one to one money guidance and 3,022 supported with debt advice



£131m
Delivered in
social value
across the Group



£11m per week

Generated in equivalent savings for residents and the welfare system through below market rents in 2021/22

£16.3m

Invested in our work with residents and communities

160

We helped 160 people gain apprenticeships

542

We led a partnership that provided 542 Kickstart opportunities to young people.

PROVIDE SUPPORT, SKILLS AND OPPORTUNITIES TO SOCIAL HOUSING RESIDENTS ACROSS THE UK



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Financial Overview

Financial Strategy and Principles

- **Sustainable and robust financial profile** that enables us to achieve our corporate ambitions
- **A clear corporate split** between regulated and non-regulated activities
- **Prudential financial framework** underpins continued strong financial discipline
- Focus on **market access**
- Debt can always be serviced out of the **low risk HA surplus**
- Whilst not relied on, asset sales remain a central plank of strategy – **we will not just “gear up”**
- Issuance of £1.45bn of **sustainable financing** since 2019

FINANCIAL FLEXIBILITY AND COMMITMENT TO SUPPORT CREDIT RATINGS

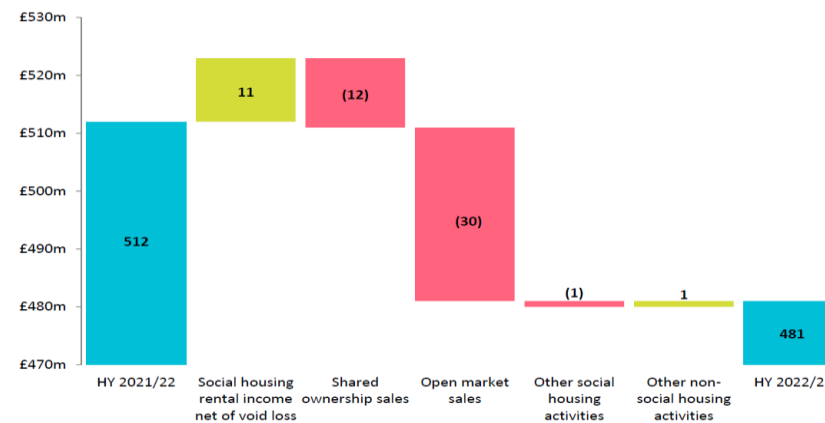
Financial Review of HY 2022/23



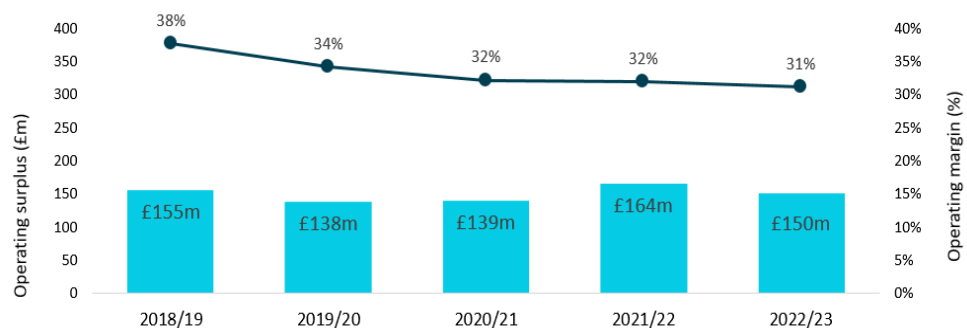
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Six-month movement in turnover



Operating margin and operating surplus over five half years



Six-month movement in operating costs



A STRONG SET OF RESULTS MAINTAINING A RESILIENT FINANCIAL POSITION

Statement of Comprehensive Income

| | ACTUAL FY2020/21 £M | ACTUAL FY2021/22 £M | ACTUAL HY2021/22 £M | ACTUAL HY2022/23 £M | |
|--|---------------------------|---------------------------|---------------------------|---------------------------|---|
| TURNOVER FROM SOCIAL HOUSING LETTINGS | 687.4 | 707.2 | 355.9 | 366.2 | Lower sales reflecting cautious build programme |
| TURNOVER FROM SHARED OWNERSHIP FIRST TRANCHE SALES | 125.7 | 150.1 | 68.6 | 56.4 | |
| TURNOVER FROM OPEN MARKET SALES | 87.7 | 157.3 | 69.4 | 38.8 | |
| TURNOVER FROM OTHER SOCIAL AND NON-SOCIAL HOUSING ACTIVITIES | 43.4 | 44.4 | 18 | 19.1 | Inflation, investment in R&M and increased arrears provision (cyber impact) |
| TURNOVER | 944.1 | 1059.0 | 511.9 | 480.5 | |
| OPERATING COSTS | (517.6) | (569.3) | (268.1) | (294.0) | |
| COSTS OF SALES | (194.3) | (273.4) | (123.0) | (83.6) | Resilient margin (33% excluding cyber impact) |
| SURPLUS ON DISPOSAL OF PROPERTIES | 25.3 | 86.4 | 43.3 | 47.4 | |
| OPERATING SURPLUS | 257.5 | 302.7 | 164.1 | 150.3 | |
| OPERATING MARGIN | 27% | 29% | 32% | 31% | Effective debt and interest rate management |
| NET INTEREST PAYABLE | (135.0) | (133.2) | (66.0) | (64.1) | |

ROBUST PERFORMANCE IN A CHALLENGING OPERATING ENVIRONMENT

Asset Management

OPERATIONAL ASSET MANAGEMENT

- Continue to invest significant amounts in our stock
 - c. £227m expenditure and c. £136m capitalised spend on repairs and maintenance in 2021/22
- Focus of future spend on
 - fire and building safety, driven by regulations
 - zero carbon readiness of homes

STRATEGIC ASSET MANAGEMENT

- “Clarion 2040” defines our internal standards of our properties
- **Disposals**- discussed on following slide
- **Regeneration**
 - 13 schemes, c. 2,000 homes with c. 6,000 residents, approved and in progress



c. **£137m**

investment in fire remediation and building safety planned over the next 4 years



c. **£363m**

invested on repairs and maintenance of stock



c. **£583m**

invested in 2021 in building new homes, of which **£502m** in new social homes

LTFP 2022 - increased investment in existing homes, financed by decrease in new homes spend

- **Total investment in existing homes** as per LTFP 2022 is c. **£1.7bn** in the next 5 years (c. £0.9bn expenditure and c. £0.8bn capitalised investment)
- Average cost of fire safety and cladding works is c. £34m on average over next 10 years

INCREASED INVESTMENT IN STOCK TO SAFEGUARD OUR HOUSING ASSETS AND RESIDENTS

Asset Disposals and Sales

◆ Key Drivers Disposals Strategy

- Based on the asset strategy – “Clarion 2040” setting out long term portfolio targets for asset quality, geography, archetype etc.
- Exit non-core areas but
- Ensure that homes are sold to HAs (or LAs) with good customer service standards, sound financial strength and a local presence

◆ LTFP assumptions

- A helpful funding addition
- Stock transfers of c. 8,280 units planned generating total proceeds of £1.6bn over 10 years

◆ Activity

- Transferred 1781 homes in 2021/22 (3872 since the start of our programme in 2018/19)
- Transferred 411 to PA Housing in July and 644 to Places for People in December
- On course to deliver our strategic asset disposals target of £127m for the financial year

| FY 2021/22 | Proceeds £m | Surplus £m | Margin |
|-----------------------|--------------|-------------|------------|
| Staircasing | 44.1 | 19.3 | 44% |
| RTB/RTA/SHB | 10.2 | 3.3 | 32% |
| Strategic asset sales | 15.2 | 4.2 | 28% |
| Stock transfers | 93.6 | 58.5 | 63% |
| Other | 1.4 | 0.9 | 64% |
| Fair Value adjustment | 0 | 0.2 | |
| | 164.5 | 86.4 | 53% |



SUCCESSFUL RESTART OF OUR ASSET DISPOSAL STRATEGY



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Treasury

Treasury Strategy and Policy

- **Robust Treasury Policy** reviewed annually

internal review > external review > Treasury Committee review > Group Board review and approval

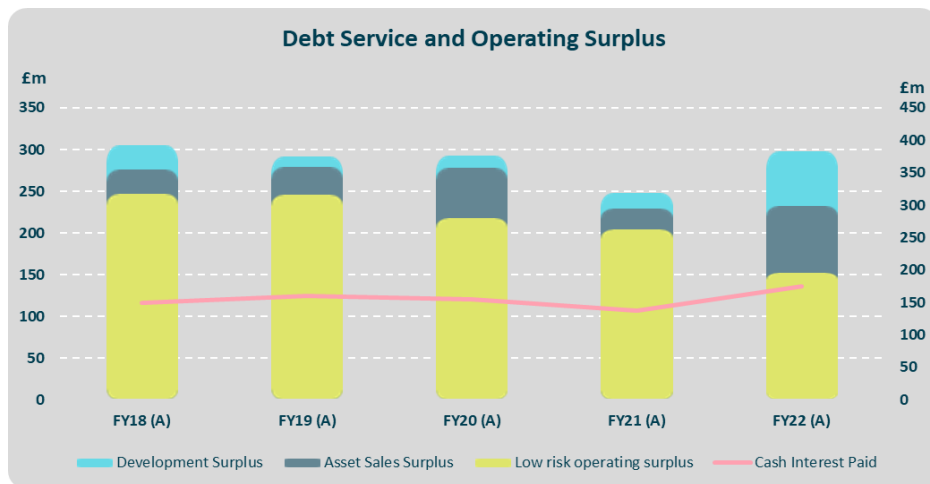
- **Conservative liquidity policy**
- **Diversified sources of funding** – capital markets, banks and private placement
- **Carefully managed refinancing risk** - maximum 15% per year
- **Limited interest rate exposure** - maximum 30% but currently only 11% of net debt
- Standalone hedges are generally **collateralised with property**
- Large **unallocated charged security** - over £2.5bn readily available
- Additional **c. £1.2bn unencumbered assets**
- Proven **access to debt capital markets** – and repeated reverse enquiries for Clarion bonds in 2022/23
- **headroom against financial covenants** - 2.5x interest cover vs 1.05x tightest covenant

PRUDENT LIQUIDITY AND DEBT STRATEGY UNDERPINNED BY ROBUST POLICIES

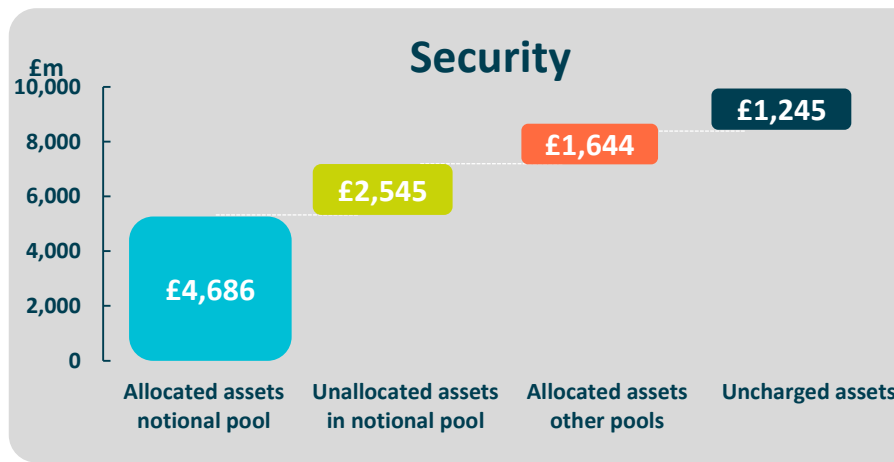
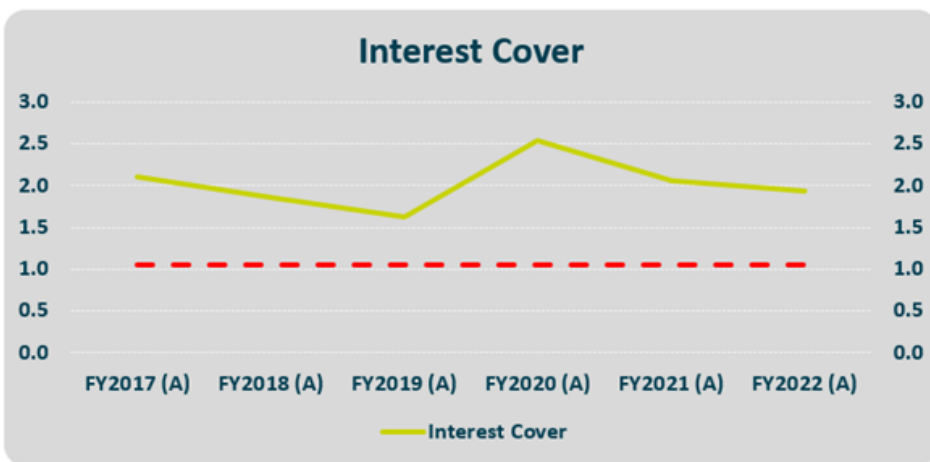
Funding and Debt Service



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- Strong core liquidity position c.£1.1bn
- Committed funding c.£5.5bn
- Refinanced 4 bank facilities over the last year with improved terms and pricing
- c.89% of debt is fixed
- Ample security available to support growth

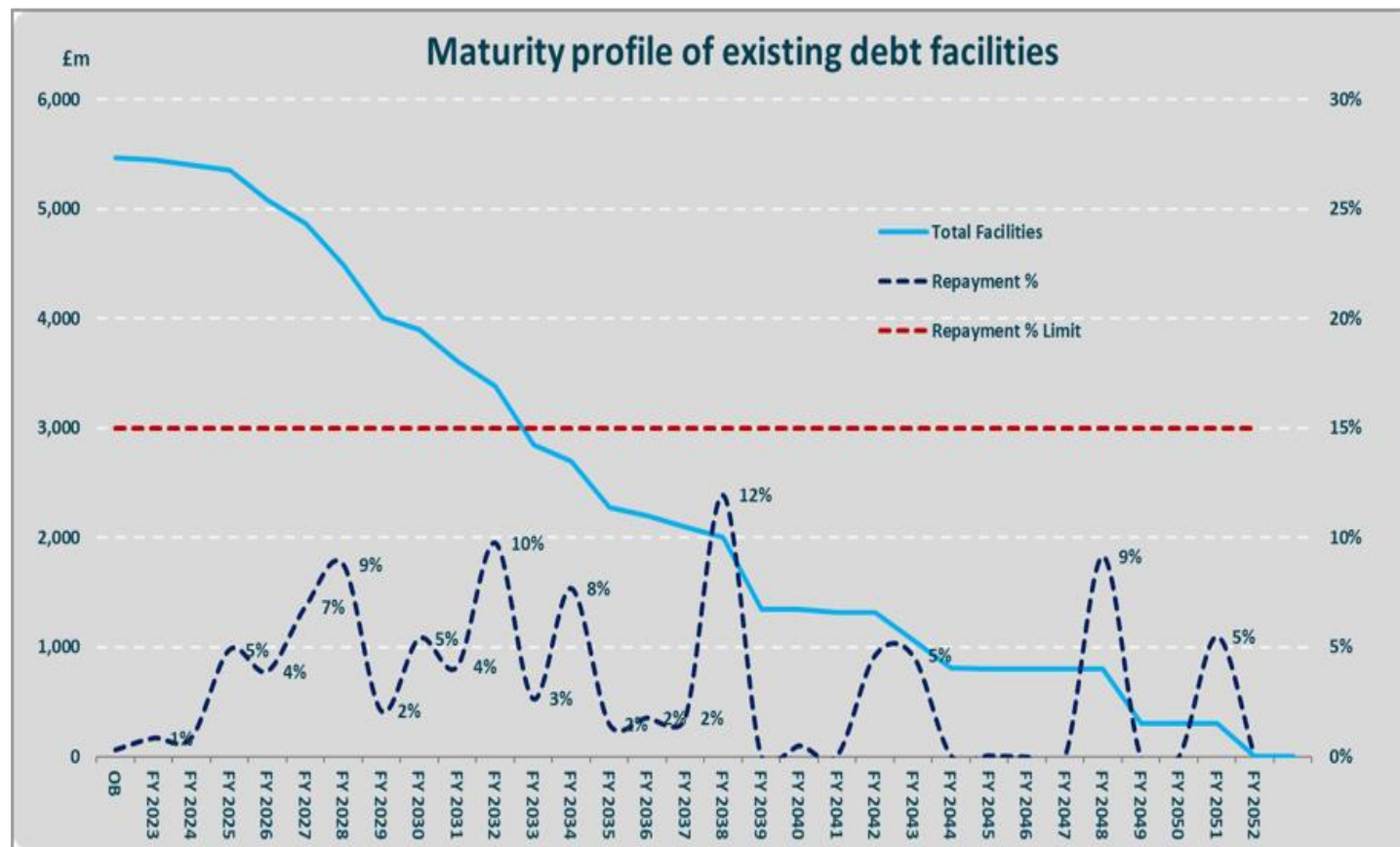


STRONG LIQUIDITY; EXTREMELY STRONG SECURITY POSITION; DIVERSIFIED FUNDING SOURCES

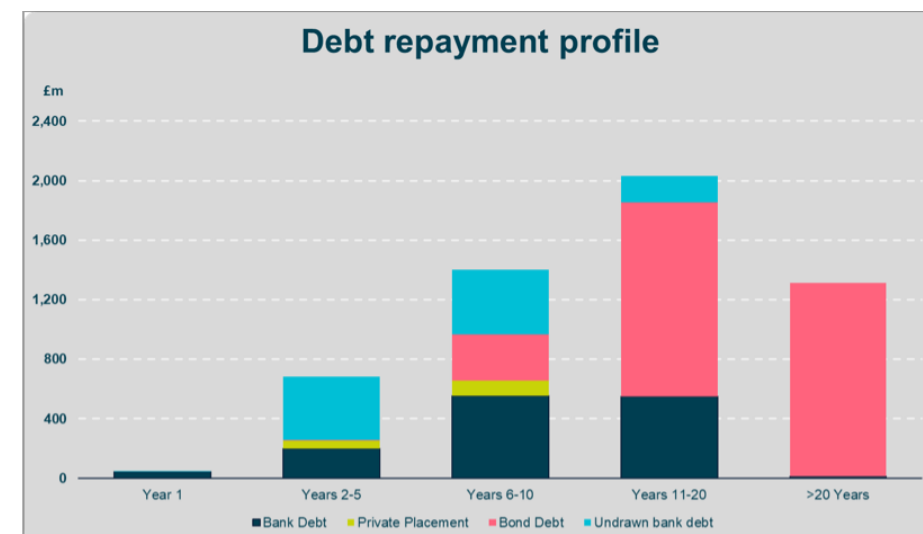
Debt Maturity Profile



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- ◆ Diversified maturity profile
- ◆ Primarily undrawn bank RCF facilities maturing in next five years
- ◆ Less than 13% of total debt maturing in any year
- ◆ Bond maturities - 2029 (6.3yrs) to 2051 (29.9yrs)
- ◆ Bank maturities - 2024 (1.5yrs) to 2046 (23.3yrs)



WELL DIVERSIFIED MATURITY PROFILE - LIMITED REFINANCING RISK

Credit Ratings

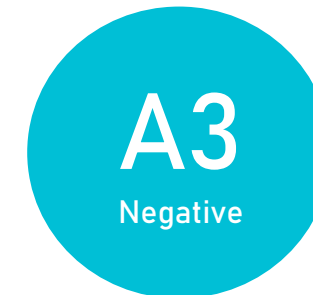
- **S&P: A- (Stable Outlook) - updated opinion 21st November 2022**

- “Clarion benefits from having issued £950 million of bonds from January 2020 to September 2021 at rates below 2%, and from its very strong liquidity position.”
- “It has modest funding needs over the next three years as it continues to scale back its development plan which is partially financed by grants”
- “The stable outlook reflects our view that Clarion has sufficient headroom to maintain its key financial metrics”



- **Moody's: A3 (Negative Outlook) – updated opinion 20th December 2022**

- “One of the largest housing associations in the UK”
- “Moderate debt metrics thanks to tempered risk appetite and strong debt management”
- “Ample unencumbered assets and bespoke treasury policy”
- “negative outlook reflects the high exposure to weaker economic and financial conditions in the UK”



FLEXIBILITY IN DEVELOPMENT PLANS SUPPORTS STRONG CREDIT RATINGS

Summary

- **Financial strength and discipline**

- Half year results show a resilient performance in a challenging operating environment – net surplus £101m (2021: £100m), £150m operating surplus (2021: £156m) and £480m revenue (2021: £512m)
- Strong liquidity and access to diverse sources of financing
- Board focused on supporting strong credit profile
- More than 1/3rd of rental income direct from HM Government

- **Ability to respond to challenging external conditions**

- Detailed and robust stress testing of financial plans
- Clarion has control over its financial resilience, with multiple levers identified to respond even to 'perfect storm' external conditions

- **Geographically diversified and cautious development programme**

- More cautious approach reflected in lower first half housing delivery, reflecting the economic and market conditions
- Increasing use of joint ventures to manage risk profile of opportunities

- **Social impact and sustainability at the heart of what we do**

- Increased focus on our residents, support through the cost of living crisis, and a plan to deliver on energy efficiency performance

- **Stable and experienced management team**

- New board member Rachel Fletcher brings a wealth of regulatory experience



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Thank you

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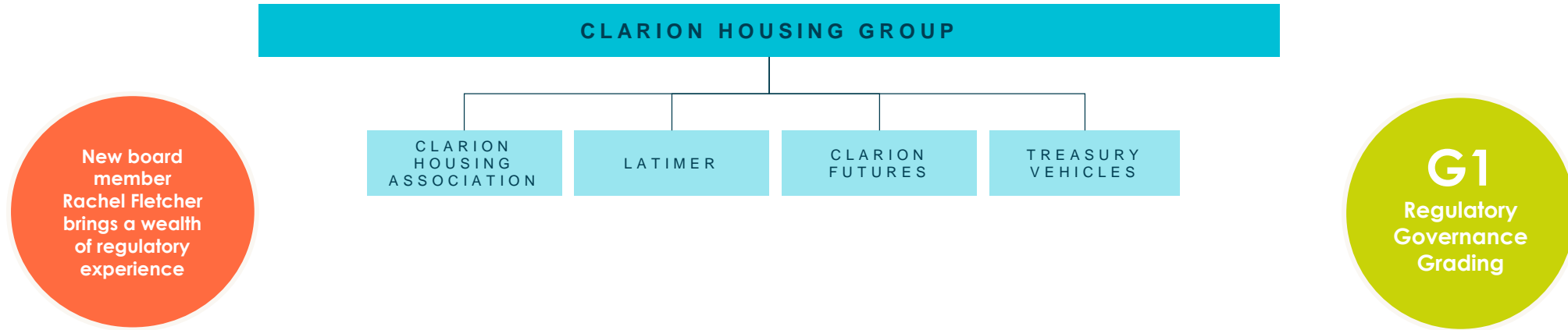
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HOUSING GROUP

Appendices

Our Values

| | | | | | |
|---------|---|--|---|---|---|
| Purpose | Making a difference | | | | |
| Mission | We provide homes for those who need them most | | | | |
| Values | <div><p>OPEN</p><p>Our default position is to be transparent, collaborate and build strong inclusive relationships.</p></div> | <div><p>RESPONSIBLE</p><p>We remain financially strong, sustainable and have a strong social impact.</p></div> | <div><p>RESPECT</p><p>We will always show respect to each other, our customers and our communities.</p></div> | <div><p>SUCCESS</p><p>We are all driven by a shared purpose. Achieving our goals matters to us as, when we are successful, we provide opportunities to build a better future.</p></div> | <div><p>EVOLVING</p><p>We have been here for over 100 years and will keep adapting and innovating so we can continue to make a difference for future generations.</p></div> |
| Pillars | We provide customers with a good service and create opportunities to improve their lives. | We build and maintain homes and communities where people want to live and work. | Together, our people create a great, inclusive place to work and make a difference. | We run our business sustainably, making a positive social impact. | |

Governance Structure



- The Executive Team and the Board monitor operational and financial risks and set risk tolerances (KPIs) through a strategic planning process
- Highly experienced management team and boards
- Subcommittees (Investment Committee, Treasury Committee, Audit & Risk Committee, Remuneration and Nominations Committee) with members and chairs who are subject matter experts
- Clear and well-defined policies, which are reviewed on at least an annual basis
- Clarion actively performs horizon scanning for new risks and threats
- Risk management and monitoring further supported by
 - a robust governance structure, confirmed by the highest possible governance rating of the Regulator
 - open communication and transparency with all stakeholders, e.g. quarterly performance updates, resident involvement

RISKS WELL MANAGED THROUGH A ROBUST GOVERNANCE STRUCTURE

Leaks, Condensation, Damp and Mould

- Dedicated team in place to tackle condensation, damp and mould
- **100 additional staff members** are being recruited to aid prevention and treatment in our residents' homes
- New **£5m** investment pledge additional to £364m invested in our homes last year
- New state of the art equipment to support early detection – 120 humidity and ventilation monitoring devices installed and 450 due to be installed soon
- Proactive and data-led approach allows problems to be caught early – including re-visiting every property that has reported damp and mould in last two years



"After the tragic case of Awaab Ishak, it is right there is an even greater focus on the condition of social housing. At Clarion we believe now is the time for investment, new ways of working and a relentless focus on tackling damp and mould."

"There are no quick fixes, but by hiring 100 additional staff and setting out a dedicated action plan, we are doing everything in our power to make a difference for our residents."

Chief Property Officer – Rob Lane

RELENTLESS FOCUS ON TACKLING LEAKS, CONDENSATION, DAMP AND MOULD

Complaints Handling Performance

● Improvements to complaints handling & customer experience

- Resident Scrutiny completed February 22 & National Complaints Residents Group established February 22
- Resident liaison officers (RLO) recruited to focus on complex case resolution & supporting vulnerable customers
- Extended RLO model to the leaks condensation damp and mould project
- Quality Assurance Team recruited to improve quality of responses & reduce escalation
- Service Review completed & requirements scoped
- Board Complaints Champion commenced role in January 23



Maladministration judgements down from 60% in 20/21 to 39% in 21/22 (all HAs av.44%)



61% of cases result in judgements of no maladministration - 21% improvement from 20/21 (all HAs av. 56%)



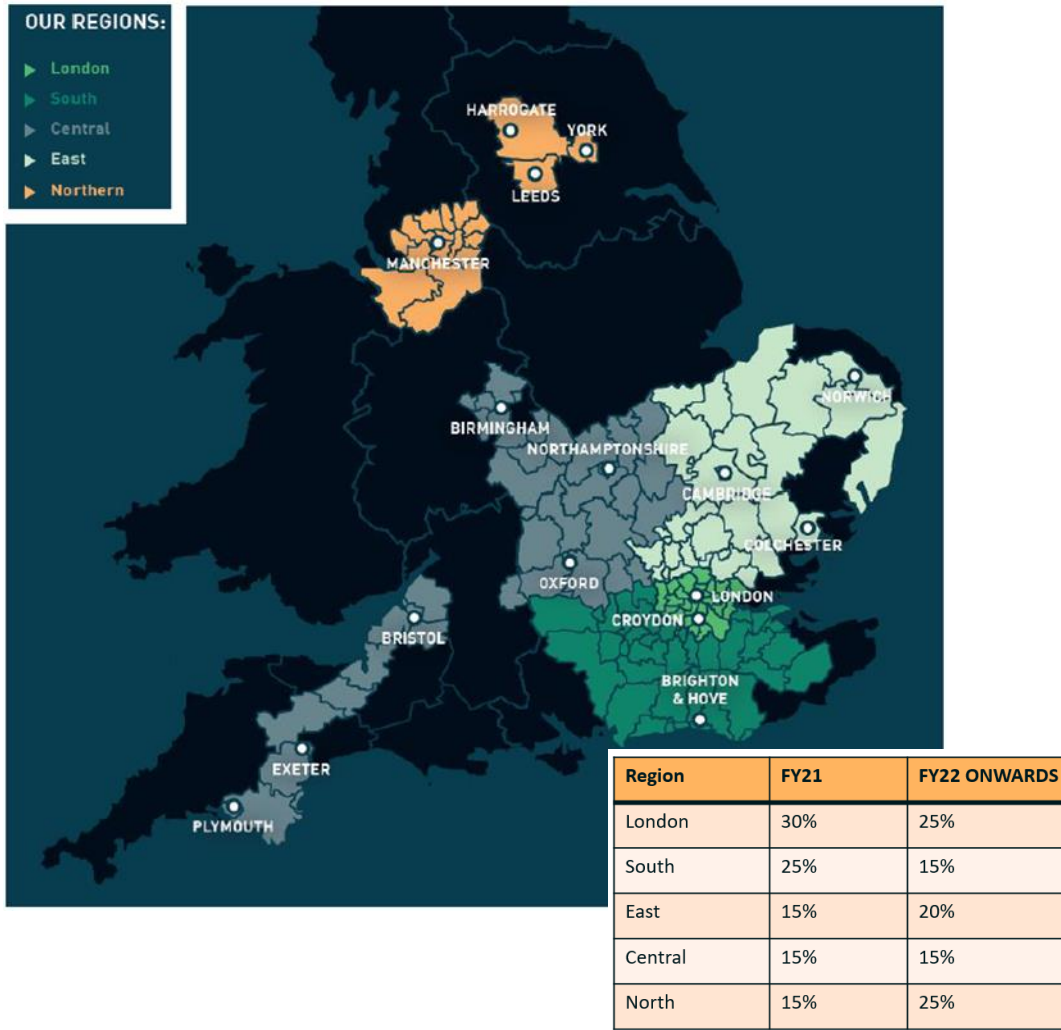
Case compliance within 3 months – 100%



Media coverage increased substantially

DELIVERING AN IMPROVED COMPLAINTS HANDLING JOURNEY AND CUSTOMER EXPERIENCE

Development Approach and Objectives



Prudent Development Approach

- **Visibility** – Good view on the delivery of our business plan in the near term
- **Flexibility** – Possibility to scale up or down depending on market conditions. Programme under close review taking into account inflationary pressure, sales risks, supply chain challenges, interest rates and mortgage availability along with the outcome of the rent consultation
- **Long term view** – Development plans are not subject to buying over-priced assets in the short term
- **Regional focus** – flexed to reflect changing market conditions and Government's levelling up agenda

Objectives

- Our vision is to be the UK's leading affordable housing developer
- Affordable housing of all types, focussed in areas of the greatest need
- Through mixed tenure development including private sale and market rent

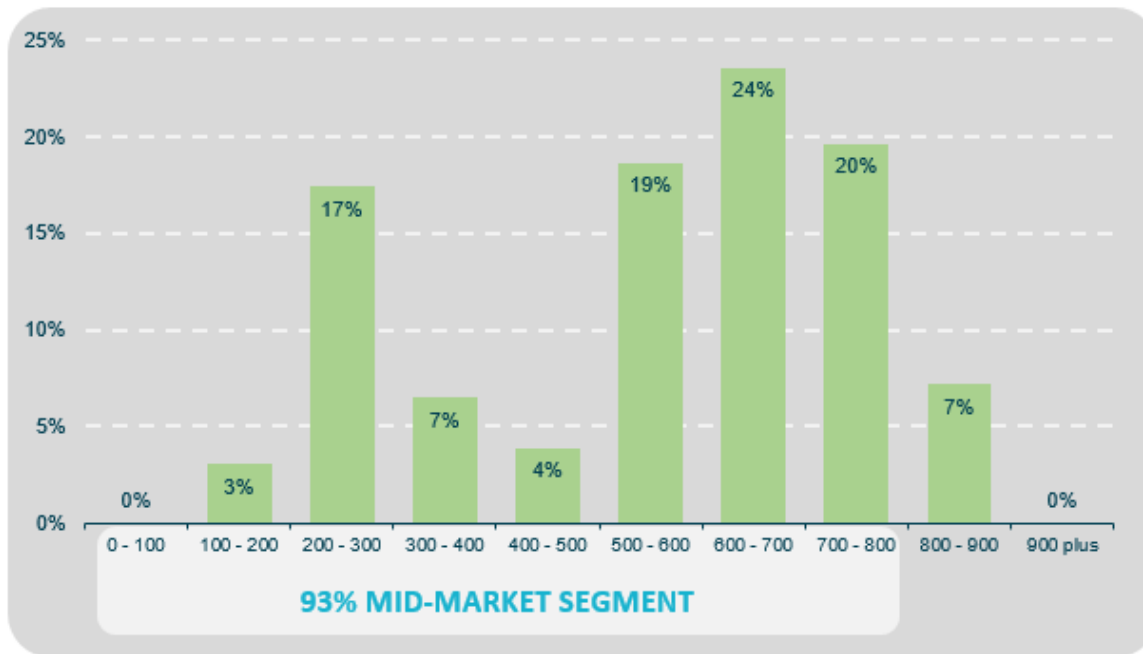
FLEXIBILITY TO RESPOND TO MARKET CONDITIONS

Development Pipeline

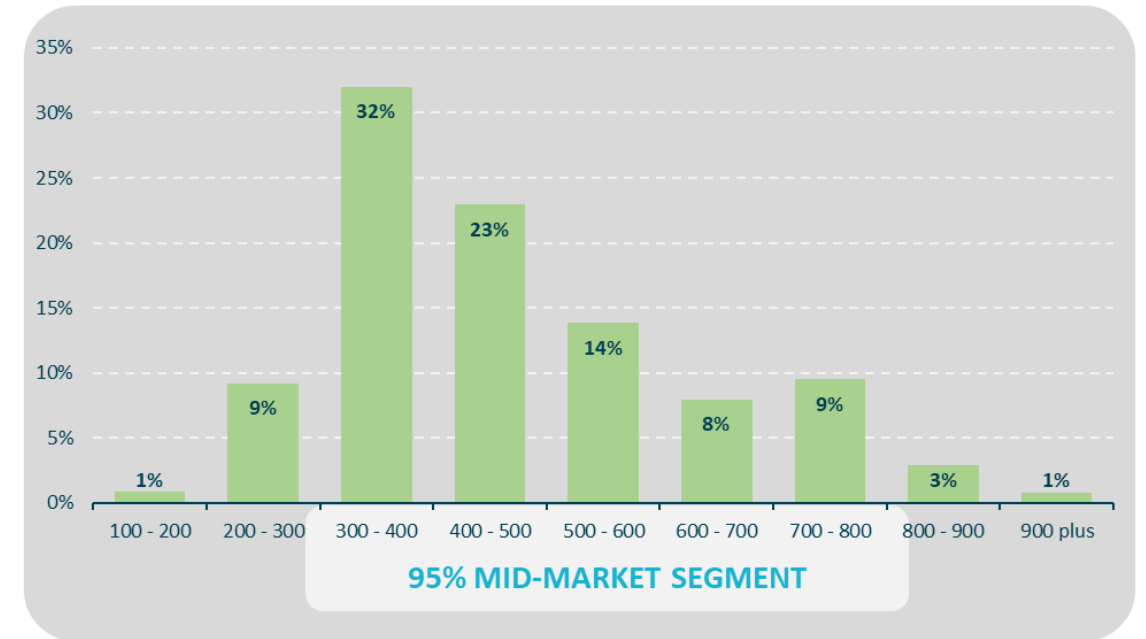
Average Sales Prices

| | |
|----------------|---------------|
| Market Sales | avg. £446 psf |
| First tranches | avg. £418 psf |

Market Sales



Shared Ownership



FOCUS ON MID-MARKET SEGMENT – HIGH END VALUES AT LEGACY SCHEMES IN RICHMOND AND MERTON

Show Case Project – High Definition



High Definition

- Two blocks situated in desirable Media City area of Manchester
- 100 SO + 180 MS units
- Average sales price of £399 psf (mid-market)

- Sales strategy – targeting mid-market segment. De-risked through utilising a number of different avenues :
 - First Homes – 48 units
 - International pre-sales – 24 units
 - UK pre-sales – 48 units, of which 15 have utilised HTB
- Geographically diversified - excluding regeneration, 3/4 of the pipeline outside London, in key growth areas



GEOGRAPHICALLY DIVERSIFIED EXPOSURE - MEASURED MARKET SALE RISK

New Grant Programme

Homes England

| | FY22 | FY23 | FY24 | FY25 | FY26 | FY27 | FY28 | Total |
|-------------|--------|--------|--------|--------|-------|-------|------|----------------|
| Starts | 418 | 806 | 1,117 | 1,409 | 1,000 | 0 | 0 | 4,750 |
| Completions | 0 | 100 | 178 | 558 | 1,380 | 1,542 | 992 | 4,750 |
| Grant | £56.7m | £84.8m | £82.4m | £20.2m | £5.5m | 0 | 0 | £249.7m |

Greater London Authority

| | FY22 | FY23 | FY24 | FY25 | FY26 | FY27 | FY28 | FY29 | Total |
|-------------|------|------|--------|--------|---------|------|------|------|--------------|
| Starts | 0 | 0 | 591 | 555 | 854 | 0 | 0 | 0 | 2,000 |
| Completions | 0 | 0 | 0 | 36 | 555 | 555 | 575 | 279 | 2,000 |
| Grant | 0 | 0 | £69.3m | £63.4m | £107.3m | 0 | 0 | 0 | £240m |

Greater London Authority

 **2000**
homes

 **1250**
social rent
homes

 **750**
affordable
homeownership

£490m
Grants
Approved

Grant programme approved

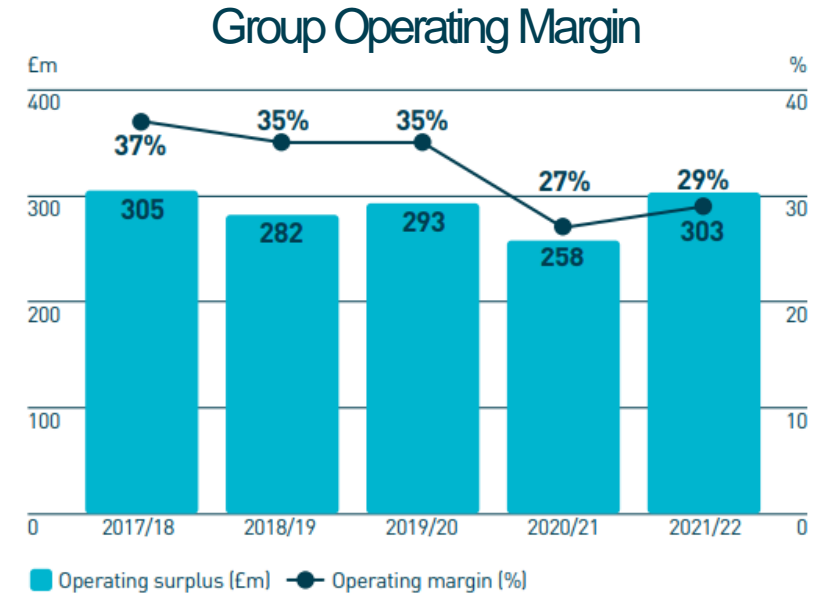
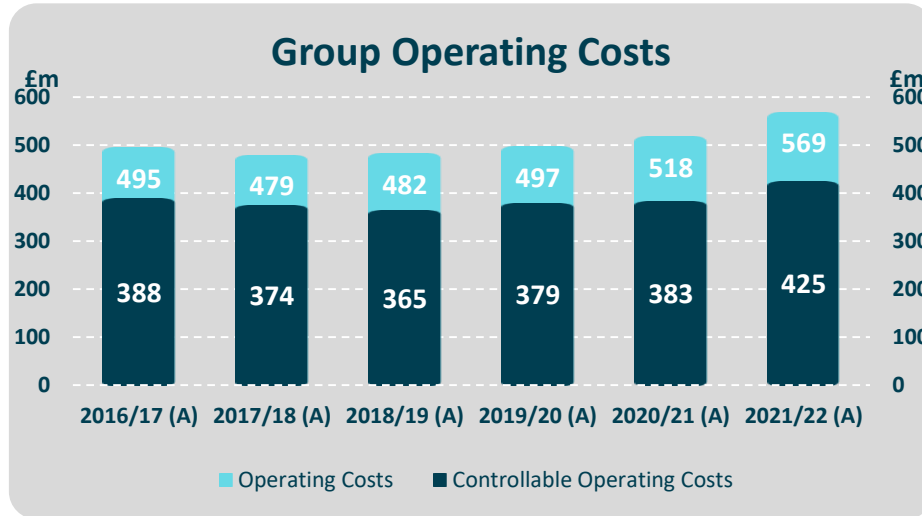
- Clarion has received approval from the GLA and Homes England for the 2021-26 grant programme
- GLA to provide up to £240 million in grants to support Clarion in delivering up to 2,000 new affordable homes in London between 2021-26. 60% of homes delivered targeted to be for social rent.
- Clarion named as new Strategic Delivery Partner by Homes England

Current status

- Changed environment will mean run rate and pace of delivery will be reduced
- Homes England and GLA responsive to negotiations over increased grant rates in light of changed economic environment

£490M GRANTS RECENTLY APPROVED - STRATEGIC DELIVERY PARTNER OF HOMES ENGLAND

Operating Efficiency



- Inflation pressures present but operating margin recovered in 21/22
- Non controllable costs primarily reflect increased depreciation on investment in existing stock and new builds
- On a unit basis, real terms efficiencies delivered since merger support additional investment in existing stock

CONTINUED FOCUS ON OPERATING EFFICIENCY