CLARION HOUSING GROUP

Presentation to Fixed Income Investors

Clare Miller –	Chief Executive Officer
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CLARION HOUSING GROUP

13 October 2020

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Sourcing – Unless otherwise stated; Clarion Housing Group Annual Report and Accounts 2019/20 and associated Offering Materials

Agenda

- Group overview
- Operating overview
- Development
- Financial overview
- Business Plan
- Treasury

Group overview

Overview

- **Robust business response to the Covid-19 crisis**
    - Challenging time during lockdown with focus on critical repairs only. Increased support and focus on vulnerable and elderly residents.
    - Service delivery maintained; focus on catch-up of repairs and maintenance in the near-term
- **Regulatory grading of G1/V1** (one of only 4 G15 HAs) confirmed in March subsequent to an In Depth Assessment. Remain committed to highest standard of governance and positive regulatory engagement.
- **Financial strength and discipline** remain central to corporate strategy. Continued delivery of solid results:
    - Operating and net surplus steady year on year
    - **Top quartile performer** vs peers in key metrics
- **Customer satisfaction is the bedrock of strategy**. Current levels of 83.3% (financial year end: 80.9%).
- FY2020 development: 2,101 homes completed, 86% affordable (**largest affordable output in sector**)
- **Strategic response to development market** conditions:
    - Reduction in development target from 5,000 to 4,000 homes p.a.
    - Increase of rented tenure to 50% (2019: 30%); corresponding reduction in shared ownership
- **Maintaining focus on Fire and Building Safety** - including significantly increased spend (proactive enhancements).
- **Sustainability at the heart of what we do** – e.g. commitment to achieving a minimum EPC rating of B for all new build and D for existing stock in the near term
- **Social impact – we are more than a landlord**:
    - £130m Social Value created for residents and communities
    - 3,834 people supported into employment

ROBUST PLATFORM ENABLES DELIVERY OF CORPORATE OBJECTIVES

Operating environment

- Covid-19
- Fire and Building Safety Regulation
- 2050 net zero carbon target
- Social Housing White Paper
- Increasing customer service expectations
- Continuing Welfare Benefit Reform
- Planning
- Longer term sales environment
- Right to Shared Ownership

Strategic priorities

Building Homes. Developing Futures.

Strategic Themes

- Be the housing and service provider of choice
- Build a successful, respected and influential national business
- Build new homes and successful communities

Enabling Objectives

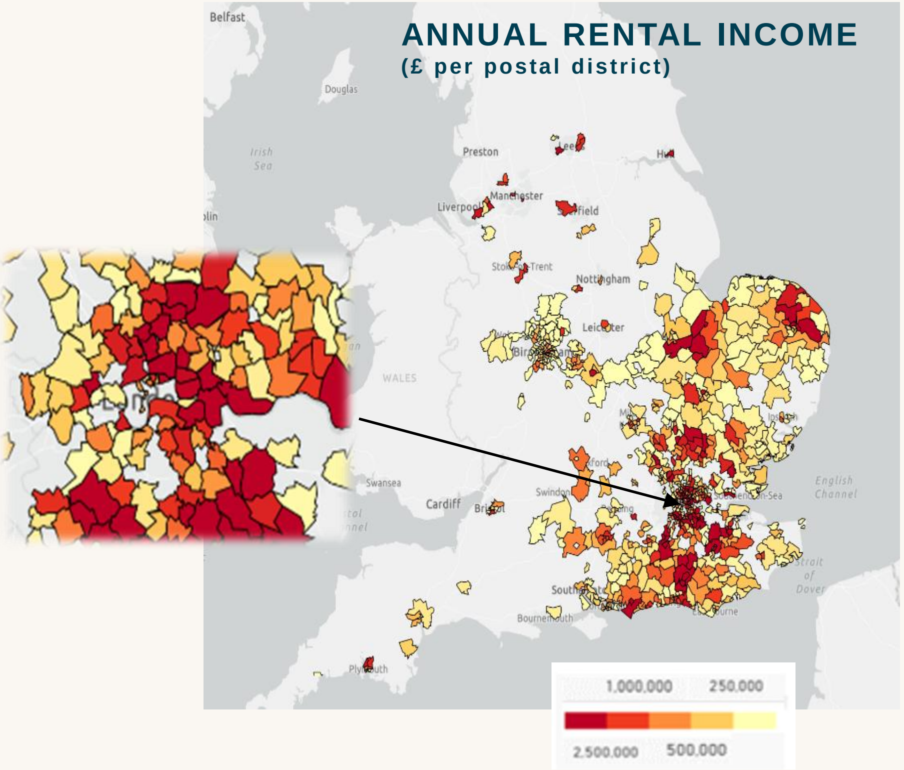
- Maintain our financial resilience
- Exploit new technology and innovation
- Be a great place to work

Mission

Clarion Housing Group provides good quality, affordable, homes and neighbourhoods to people inadequately served by the market.

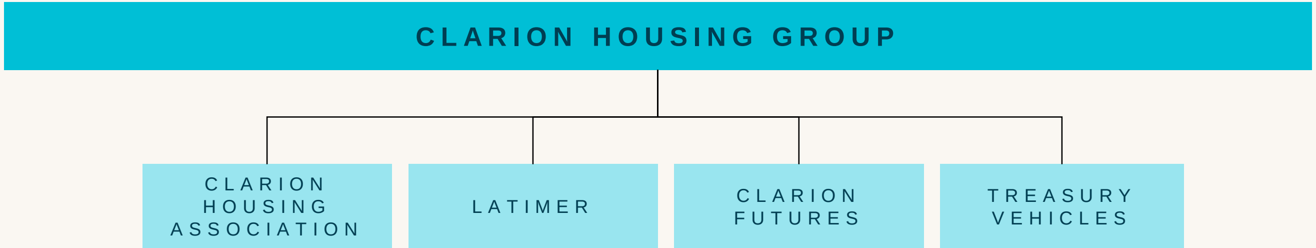
Our Landlord Footprint

- After transfer of our North East stock the current footprint now extends from Plymouth to Hull.
- However, of our c.**125,000 homes**:
  - c.**49,000 are in Greater London** generating **42%** of rental income
  - c.**27,000 are in the South East** generating **24%** of rental income
  - **80%** of rental income in Greater London, Home Counties and South East
- **Large demand** in these areas per households on the social housing waiting list at end of 2019:
  - 243,551 in London (21% of total national households)
  - 114,573 in the South East (10%)
  - 107,449 in the East (9%)
- High occupancy continues at **98.2% (August)**



STRONG DEMAND FOR OUR PROPERTIES

Corporate and Governance Structure



AUDIT AND RISK COMMITTEE (CHAIR: JOHN COGHLAN)

Advises the Group and subsidiary boards on the effectiveness of assurance arrangements across the group. Has oversight of the risk framework, advising the Group on the effectiveness of arrangements.

INVESTMENT COMMITTEE (CHAIR: MARK HATTERSLEY)

Responsible for scrutiny of all proposed projects involving major investment, by way of acquisition, development, regeneration or major repairs. Approves within delegated limits and recommends to the Group Board any projects outside agreed delegations.

GROUP EXECUTIVE TEAM (CEO: CLARE MILLER)

Responsible for assisting the Group CEO in the development and implementation of strategy, budget and operational performance.

TREASURY COMMITTEE (CHAIR: TOM SMYTH)

Advises on funding strategy for the Group and provides expert opinion to the borrowers within the group.

REMUNERATION & NOMINATIONS COMMITTEE (CHAIR: SUE KILLEN)

Responsible for Board member and chief executive appointments. Agrees the remuneration strategy for all employees and remuneration for the Group CEO and executive directors.

NB: Summarised Group structure - only key entities shown.
Latimer - entity undertaking commercial activity

Group Board

DAVID AVERY (Group Chair)	Former President of European Operations for Novellus Systems, a Fortune 500 company. Held a variety of NED roles including an NHS Trust; currently NED at Gen2 Property Ltd.
SUE KILLEN (Vice Chair)	Former CEO of St John Ambulance. Previous career in government including Director General at the Department for Transport; leading work on drug abuse, preparations for single currency, various privatisations.
TOM SMYTH (Treasury Committee Chair)	Executive Vice Chairman, Financing Advisory and an Advisory Partner at Rothschild & Co, one of the world's largest independent financial advisory groups. Tom is a member of the Association of Corporate Treasurers
DAVID ORR (Housing Association Chair)	Former Chief Executive of the National Housing Federation (NHF), thirty year career in housing, which includes time as the Chief Executive of Newlon Homes and working for Centrepoint. Former president of Housing Europe and previously Chief Executive of the Scottish Federation of Housing Associations
JOHN COGHLAN (Audit and Risk Committee Chair)	Chair of the Audit Committee at Severn Trent plc; a director of Associated British Ports and Chair of its Audit Committee and Chair of the Freight Transport Association Ireland.
RUPERT SEBAG-MONTEFIORE (Latimer Chair)	Recently retired from Board and Executive roles at Savills plc. Roles included Head of Global Residential and Chairman and Chief Executive of Savills (L&P) - Savills' largest subsidiary, including the main UK network.
GREG REED	CEO at HomeServe Membership (previously Chief Marketing Officer). Former Head of Credit Cards and Overdrafts at RBS; President UK Card Services at Bank of America.
GAVIN BARWELL	Served as Chief of Staff to Prime Minister Theresa May from June 2017 to July 2019, having previously served as the Minister for Housing between July 2016 and May 2017 and as the Member of Parliament for Croydon Central from 2010 to 2017. Gavin was also a councillor for the London Borough of Croydon between 1998 and 2010.
GRAHAM FARRANT	Chief Executive of Bournemouth, Christchurch and Poole Council. Graham has led complex political organisations as Chief Executive in both the public and private sectors with a track record of delivering change. Graham brings a background in housing and local government.
AMANDA METCALFE	A highly experienced marketing director, having held a range of digital and consumer roles at organisations such as Ebay Inc., where she was UK Marketing Director, before taking up her current role as Place, Brand and Marketing Director at the Crown Estate - a £14.3 billion UK real estate business.
CLARE MILLER	Chief Executive Officer
MARK HATTERSLEY	Chief Financial Officer

TREASURY COMMITTEE

MEMBERS ON THE GROUP BOARD:	Tom Smyth, Clare Miller, Mark Hattersley. OTHER MEMBERS:
KWOK LIU	Deputy Treasurer, National Grid. Trustee of the National Grid UK Pension Scheme.
ARUNA MEHTA	Former Director at TDA NExT. Currently a NED in Education and Housing. Career experience in technology, operations, programme and business management across Investment Bank, Asset Management and Investor Services.
MAXIM SINCLAIR	Head of UK Division Commercial Real Estate, Wells Fargo Bank. Former Head of UK Division Eurohypo in London and Luxembourg and Head of Property Finance Sanwa Bank. Previously at BNP and NatWest.

Group Executive Team

CLARE MILLER Chief Executive Officer	Clare was previously Affinity Sutton's Group Director of Governance and Compliance prior to the merger with Circle Housing to form Clarion in 2016. Prior to this she was an Executive Director at the Tenant Services Authority, with responsibility for housing association regulation. Clare has also worked for the Housing Corporation, where she led on the financial regulation of associations in special measures. Clare is a chartered accountant, qualifying with Coopers & Lybrand.
MARK HATTERSLEY Chief Financial Officer	Mark joined from Sovereign Housing Association where he was CFO for three years. Prior to joining Sovereign, he was Director of Finance & Infrastructure / Deputy CEO at Staffordshire University and Finance Director at Birmingham International Airport.
MICHELLE REYNOLDS Chief Operating Officer	Michelle was formerly Clarion's Group Director for Commercial Services and has served on the Group Executive team since Clarion was formed in 2016. Michelle has over 25 years experience; her previous roles include directorships at Affinity Sutton and William Sutton, and Chief Executive of Aashyana. As Chief Operating Officer, Michelle leads on the transformation of the Group's customer service offer to its 360,000 residents. Michelle also has responsibility for overseeing the long-term investment plan for new homes and neighbourhoods, creating mixed communities that are desirable and fit for the future.
RICHARD COOK Group Director of Development	Richard joined Clarion in February 2019 from Lendlease Europe, where he was Head of Residential and responsible for delivering 1,000 new homes per year of mixed tenure from open market to affordable. Richard joined Lendlease in 2010 as Head of Delivery of the Design and Build contracts on the Olympic Village for London 2012. His extensive career in residential development includes senior roles at Mace and George Wimpey PLC (now Taylor Wimpey PLC).
IAN WOOSEY Chief Information Officer	Ian joined Clarion Housing Group in February 2018 as the Group's first Chief Information Officer. Ian has worked in technology leadership, consulting and retail operations roles during his career, often leading large scale programmes. Prior to joining the Group, Ian was Chief Information Officer for the food distribution company Brakes and previously at Carpetright.
CATRIN JONES Group Director of Corporate Services	Pre-merger, Catrin joined Affinity Sutton as Director of Customer Services in 2013 having held a number of senior customer service roles in various sectors. After merger, Catrin was appointed Director of Business Transition, playing a vital role in the Group's transformational change programme. Catrin has responsibility for a range of corporate services including HR, Facilities, Deeds, Governance, Health & Safety, Internal Audit and Legal Services.
ROB LANE Group Commercial Director	Rob joined Clarion at the time of the merger as Director of Commercial Finance. A qualified accountant, Rob's career has included appointments in senior finance/Director roles in the Dominos Pizza Group and Network Rail Property. Rob is responsible for Clarion's subsidiary organisations - Clarion Response and Grange. Rob also leads on strategic asset management, including regeneration, and the Group's approach to future mergers and acquisitions.
CATHERINE THOMAS Group Director of Corporate Affairs	Catherine has held senior marketing and communications roles in real estate and has a particular affinity with tech, data, content, reputation and experience convergence. Her skills in place making and destination marketing were honed at Land Securities, where she led the communications team for Victoria SW1, including Nova, the highly successful mixed-use complex. Catherine has also worked on major European and Middle Eastern real estate projects.

Operating overview

FY2019/20 highlights

	12 MONTHS TO 31 MARCH 2020 (FY 2019/20) ACTUAL	12 MONTHS TO 31 MARCH 2019 (FY 2018/19) ACTUAL
RESIDENT SATISFACTION	80.9%	80.5%
RESIDENT SATISFACTION WITH REPAIRS	88.8%	89.8%
ARREARS	5.2%	4.8%
HOMES OWNED AND MANAGED AT THE END OF THE PERIOD/YEAR	124,399	124,333
OCCUPANCY RATE	98.3%	98.6%
REPAIRS COMPLETED ON TIME	94.6%	95.4%
PROPERTIES MEETING DECENT HOMES STANDARD	100.0%	100.0%
SOCIAL VALUE OF COMMUNITY INVESTMENT ACTIVITY	£130m	£125m
AFFORDABLE HOMES COMPLETED	1,810	1,163

FOCUSSED ON DELIVERING A CONSISTENTLY GOOD QUALITY CUSTOMER EXPERIENCE

Covid-19 Operational Impact and Recovery

Main Covid impact on the operations during lockdown

- Closure of all offices and working from home regime introduced
- Repairs & Maintenance reduced to critical repairs only
- Customer services remained fully operational
- Increased support and focus on vulnerable and elderly residents
- Building sites closed and all non-essential spend on development paused
- No reliance on government furlough scheme

OPERATIONS CONTINUED EFFICIENTLY

Business recovery

- Business as usual wherever possible:
  - ✓ Repairs: restarted all repair services by July 2020
  - ✓ Development: sales offices reopened, all building sites restarted to various degrees
  - ✓ Other key areas such as fire remedial works fully restarted
- Catch-up of repairs and maintenance targeted in the near-term, subject to Covid restrictions
- Safety for residents and staff remains paramount
- Business continuity plan updated and clear actions in place to mitigate the risks flowing out of a new Covid operational lockdown
- Continued focus on managing development capex
- Liquidity increased

CLARION PREPARED FOR A CONTROLLED RETURN TO NORMAL SERVICE DELIVERY

Welfare Benefit Reform

UNIVERSAL CREDIT

- We have seen an increase in tenancies with customers claiming UC as a result of Covid-19. Recorded claimants in February 2020 (pre-lockdown) c.12,500 v's c. 19,500 end of September 2020
- 43% (41k) of customers renting are self-funding and 57% (c. 56k) receive housing benefits.
- So far, transition to UC has not had a material impact on arrears in Clarion (increase in line with total portfolio). Total arrears at end of August stood at 6.1%.
- Significant proactive work with new UC claimants by Welfare Team
- Continue managing customer accounts proactively and significant advice and guidance to customers in difficulty

BENEFIT CAP AND UNDER OCCUPATION

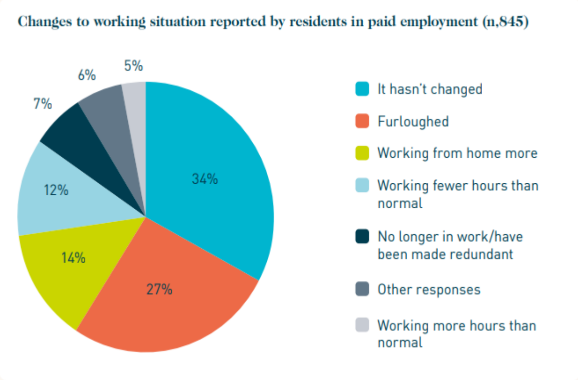
- Minimal exposure to Benefits Cap and Under Occupation but continue to provide support and advice
- With growing UC numbers, the overall significance of the Benefit Cap and Under Occupation is decreasing

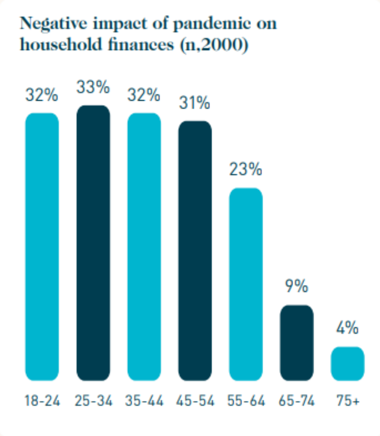
IMPACT MUTED SO FAR BUT WE CONTINUE TO FOCUS ON MITIGATION

Residents and Covid 19 – Clarion 2020 Index

Selected preliminary key findings from the Clarion Index 2020 Survey (2,000 surveyed residents)

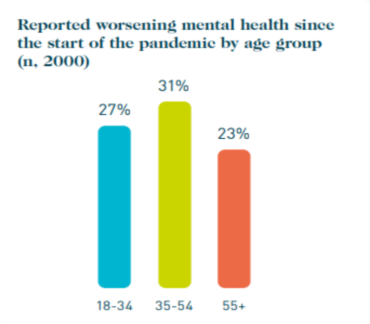
- Age group of > 55 years less affected financially, as they are more likely to have a fixed income
- 27% of residents in paid employment have been furloughed, 19% work fewer hours or have been made redundant
- Middle-aged group reports worsening mental health – potentially because this age group has more care (children, elderly) or financial obligations
- More information at https://www.clarionhg.com/media/2095/final-the-impacts-of-covid-19-on-clarion-residents.pdf





Clarion's response

- renewed focus on supporting
  - ✓ young residents with welfare advice and employment support
  - ✓ middle aged residents that have care duties
- prioritising access to and improving outdoor green spaces through local offers, new developments and regeneration programmes



Fire safety

- ‘Early adopter’ on Resident Engagement for Building Safety – report presented to MHCLG in March 2020
- Member of MHCLG’s Social Sector Engagement Best Practice group
- Clarion is the only HA working with the British Standards Institute (“BSI”) on the code of practice for digitisation of Fire Safety records
- Trialling new initiatives ahead of legislation: asset digitisation of our higher risk buildings (“digital twins”), safety case file programme
- Limited exposure to high rise: Clarion has 7 10+ storey blocks

Recent achievements:

- Completed all high risk cladding replacement ACM on our owned stock
- Carried out intrusive investigations on all high risk cladding systems on buildings over 18m+
- Upgraded passive and active fire safety measures to over 165 sheltered and supported housing sites
- Completed programme of installing fire alarm system in 1,300 converted street property buildings (over 3,500 flats)

£18m
Spent on fire safety remedial work in FY2019/20

Fire safety programme – near-term focus

- Continue work on our cladding systems and passive fire works (e.g. fire door installations and fire stopping)
- Further active fire safety works (e.g. fire alarm systems, sensors, emergency lighting)
- Preparatory work for the Building Safety Act expected to come into force during 2021
- Continual FRAs

CONTINUED PROACTIVE TOTAL SAFETY APPROACH BEYOND THE LEGAL REQUIREMENTS

Environmental, Social and Governance (ESG)

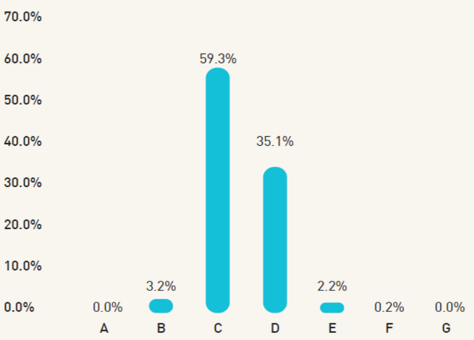
- ESG focus embedded in the Group:
  - Sustainability and CSR teams
  - Large social impact through Clarion Futures
  - Dedicated regional resident involvement teams
  - Improving energy efficiency of our homes
  - Commitment to good governance
- Awarded “Certified Sustainable Housing Label” in November 2019 – first pan-European accreditation assessing comprehensive sustainability criteria
- Sustainable Housing Finance Framework https://www.clarionhg.com/about/sustainability/sustainable-housing-finance-framework/
- Founding member of sector-led Sustainability Reporting standard https://thegoodeconomy.co.uk/resources/reports/UK-Social-Housing-Building-a-Sector-Standard-Approach-to-ESG-Reporting-May-2020.pdf
- Sustainability strategy currently under review by JLL, led by Clarion’s Sustainability Champion (Richard Cook)
- Committed to inclusion in the 2021 JLL NextGeneration Sustainability Benchmark index
- Sector leading approach to new build development e.g. 99% of surveyed homes completed in last financial year achieved EPC B or above

ESG IS IN OUR DNA

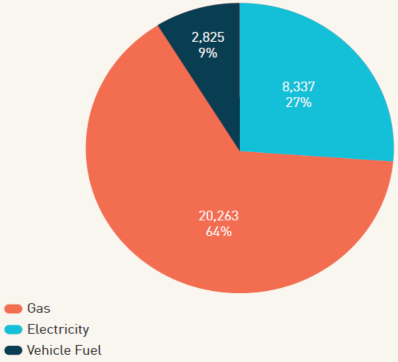
Housing Quality and Energy Efficiency

- **Improvement of energy efficiency** is central to the Clarion 2040 strategy, a major programme of investment to upgrade our properties
  - ✓ EPC ratings min. D by 2025; min. C by 2040
  - ✓ Investment of c.£30m over the next 5 years
- **New homes adhering to sustainability standards**
  - ✓ Min. B EPC rating for new build
- **Commercial fleet**
  - ✓ Trialling electric vehicles
- **Carbon emission and waste reduction**
  - ✓ Installing smart meters
  - ✓ Identifying sources of CO_2 emissions
  - ✓ Buying 100% zero carbon electricity

19/20 EPC profile (social rented and sheltered homes)



Total carbon emissions – Tonnes CO2e



Average SAP rating for Clarion's stock is 69.7

FY 2019/20 achievements

- ✓ nearly 3,200 energy efficiency measures (new boilers, replacement of electric storage heaters, insulation etc.) installed generating 1,424 Tonnes CO2 Lifetime carbon savings
- ✓ >£350k p.a. (or £110 per household p.a.) estimated energy savings for residents

COMMITTED TO IMPROVING ENERGY EFFICIENCY - REDUCING RUNNING COSTS

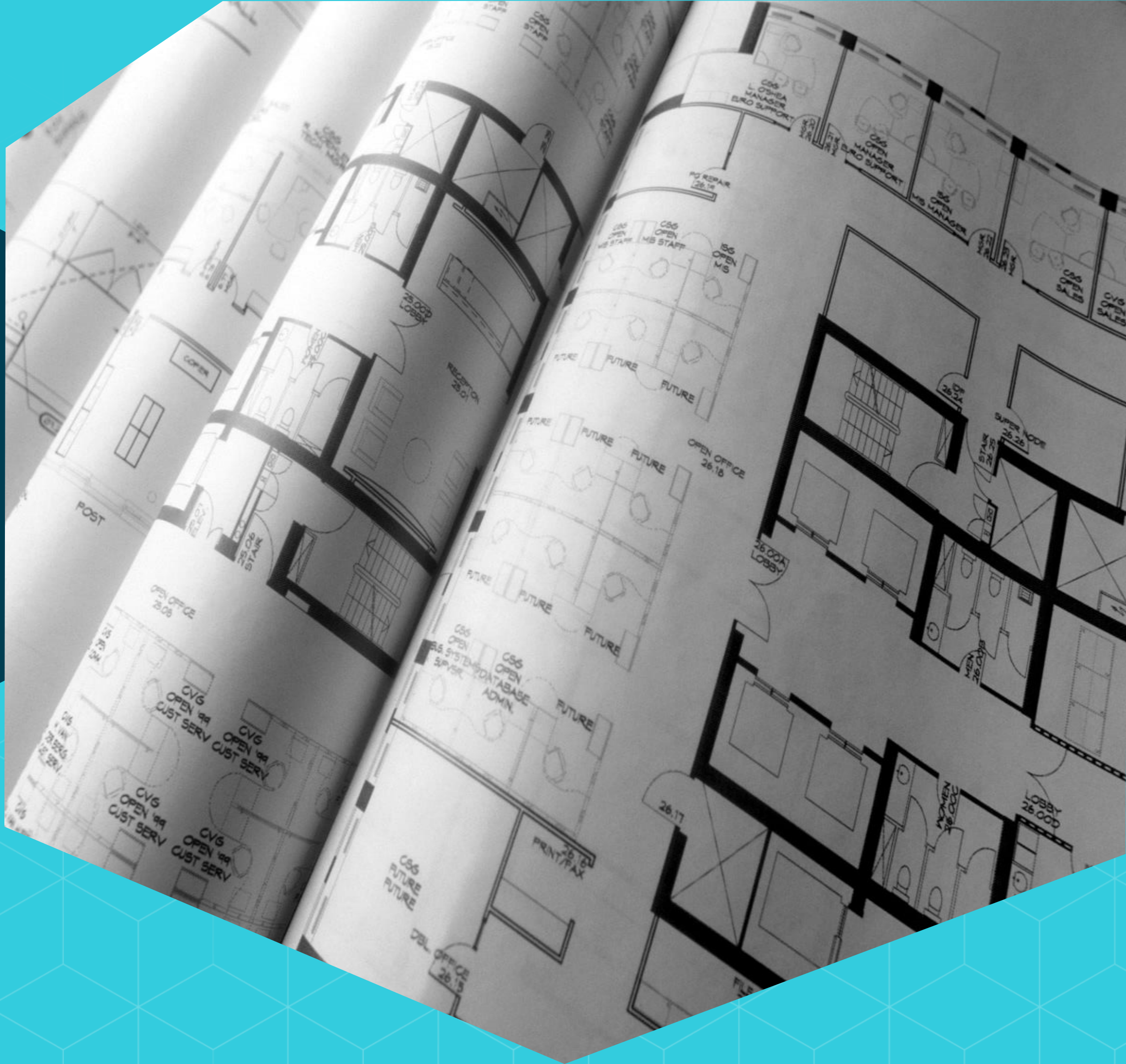
Clarion Futures – social impact

- Clarion Futures is the Group's charitable foundation
- Through Clarion Futures, Clarion will invest £150m over ten years in 3 core areas:
  - **Clarion Futures Communities**: make Clarion's estates and neighbourhoods attractive, inclusive and vibrant places to live
  - **Clarion Futures Jobs & Training**: support our residents into work through a national employment and training programme
  - **Clarion Futures Money & Digital**: support our residents to manage their finances more effectively and to get online
- For a full spectrum of Clarion Futures' activities and achievements: https://www.clarionhg.com/charitable-foundation/
- Leading HA "Kickstart" programme (government youth employment programme). Includes 250 persons to be placed internally; 500 in supply chain.

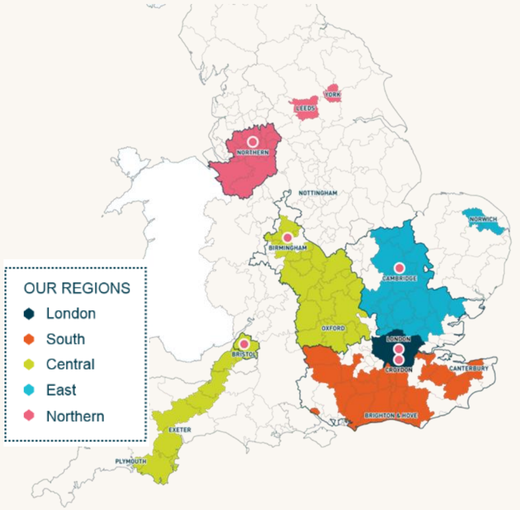
Key 2020 achievements

- ✓ £130m Social Value created for residents and communities
- ✓ Supported 3,834 people into work
- ✓ Placed 254 people into apprenticeships
- ✓ Awarded more than £255,000 in community grants to 63 projects
- ✓ Supported 7,808 young people with jobs, formal training or volunteering
- ✓ Supported 2,628 residents with money guidance and energy advice
- ✓ Helped 3,512 residents to access free debt advice
- ✓ Delivered 4,621hrs digital skills training

Development



Development Strategy



OVERVIEW 2020

- **Strategy modified** with the aim of now delivering 4,000 new homes each year, reflecting a slower pace of development compared to 2019 Business Plan (target 5,000 p.a.)
- 80% of new homes delivered being affordable, but with an **increase in affordable rent from 30% to 50% thereby reducing market risk exposure**
- **Further strengthening of capacity and expertise**, underpinned by robust governance structure and processes
- **Good sales performance in a volatile year**, with sales impacted predominantly by Covid-19 but also by Brexit uncertainty
- **Encouraging year-to-date sales figures**

OBJECTIVES

- Building new homes and successful communities
- Our vision is to be the UK's leading affordable housing developer
- Deliver a variety of products and tenures at a range of affordable price points to meet a range of needs
- Affordable housing of all types, focussed in areas of the greatest need
- Through mixed tenure development including private sale and market rent
- Producing great place making

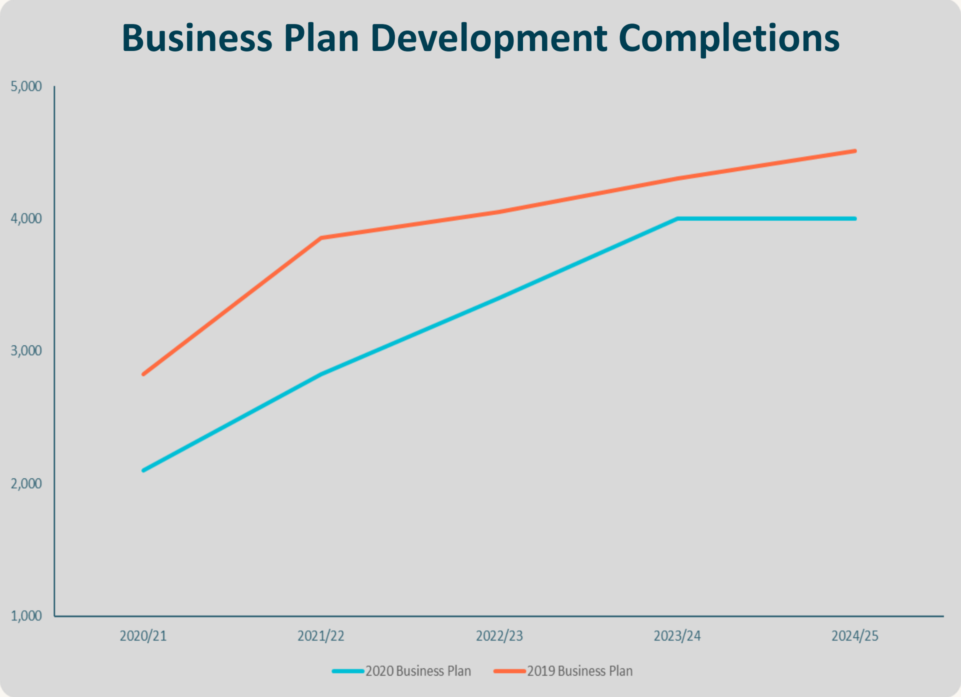
LOWERED TARGET OUTPUT; REDUCED SALES MIX

Development & Covid-19

- **The health and safety of all site staff** remain a key priority to Clarion
- **Sites capacity broadly at pre-covid 19 levels** with greater efficiency
- **Sales Offices re-opened** since June
- **Capex remains tightly controlled**
- Focus on **medium to long-term opportunities**
- Current climate gives rise to opportunities, allowing **selective acquisitions** where **value can be enhanced**
- **Prudent outlook approach** – growth of the business delayed by 12 months as a response to market uncertainty

FOCUS ON SELECTIVE ACQUISTIONS WHERE VALUE CAN BE ENHANCED

Development Pipeline



Pipeline Post Covid-19

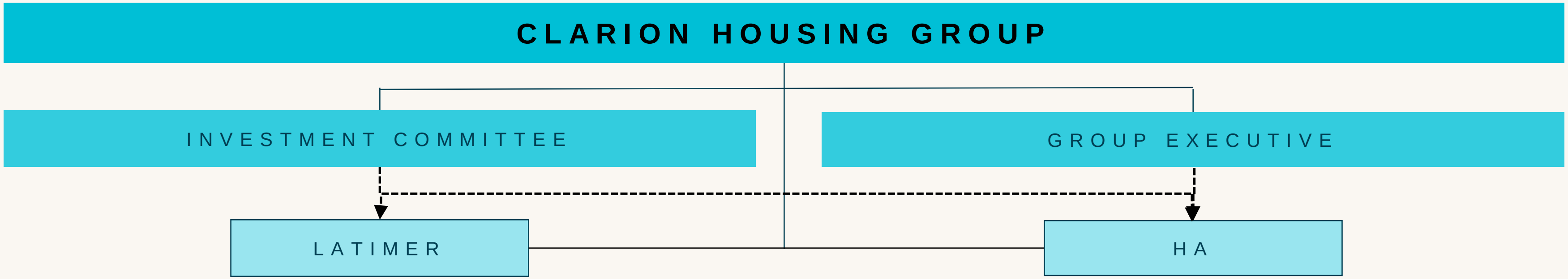
- Completions forecast in the May 2020 Revised Outlook have been delayed by 12 months, further aligning strategy to market conditions

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
- **Long term view** - Development plans are not subject to buying over-priced assets in the short term

FLEXIBILITY IN PROGRAMME TO RESPOND TO MARKET CONDITIONS

Corporate and Governance structure



Legal entities

GROUP BOARD
- Ultimate responsibility for effective governance of the Group, including its development activity
- Sets strategic direction, approves major projects
- Delegates day to day responsibility to Group Executive

LATIMER
- Board includes three NEDs with funding and development expertise
- Chair - Rupert Sebag-Montefiore (formally of Savills plc)
- Independent Business Plan and strategic objectives
- Independent investment decisions

Committees

INVESTMENT COMMITTEE (CFO chaired)
- Scrutinises all proposed major investment, by way of acquisition, development, regeneration or major repairs
- Approves within delegated limits and recommends to the Group Board any projects outside agreed delegations.

GROUP EXECUTIVE
- Day to day oversight of the management of the business
- Assists Group CEO with development and implementation of strategy, budget and operational performance.

CLEAR RISK SEGREGATION WHILST ROBUST GROUP OVERSIGHT AND CONTROL MAINTAINED

Existing sales pipeline

- Sales strategy – targeting mid-market segment
- Geographically diversified - excluding regeneration, 2/3rds of the pipeline outside London, in key growth areas
- Key market sale projects include:

Kirkstall Road, Leeds

- Mixed use Placemaking development
- Partners for the delivery of BTR and student housing
- Increase in affordable from 7% to 35%
- Employment and workspace
- Brownfield regeneration site

GEOGRAPHICALLY DIVERSIFIED EXPOSURE; MEASURED MARKET SALE RISK

Existing sales pipeline

Cocoa Works, York: 279 new homes, 84 affordable

Sherford Plymouth: 1,496 new homes

Conningbrook Lakes Ashford:
240 new homes

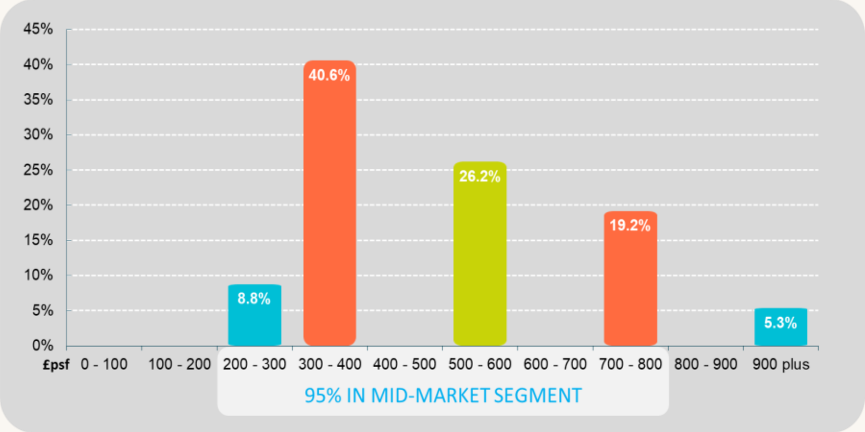
GEOGRAPHICALLY DIVERSIFIED EXPOSURE; MEASURED MARKET SALE RISK

Current pipeline

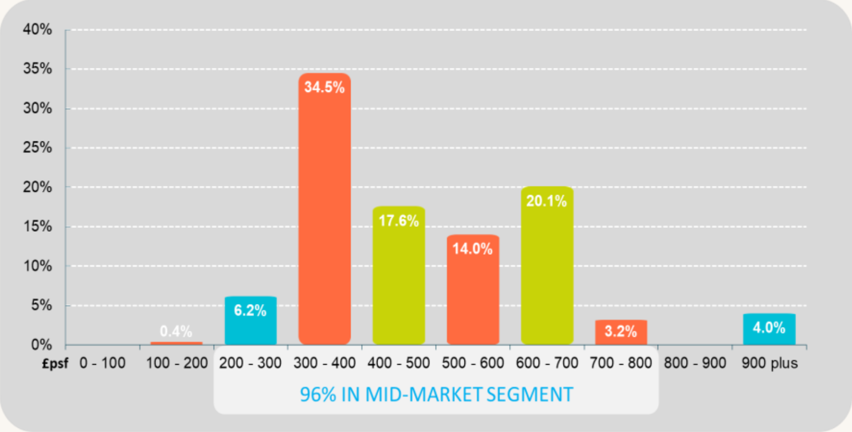
Average Sales Prices

Market Sales	£379k £439 psf Weighted avg sales price
First tranches	£108k £402 psf Weighted avg sales price

Market Sales

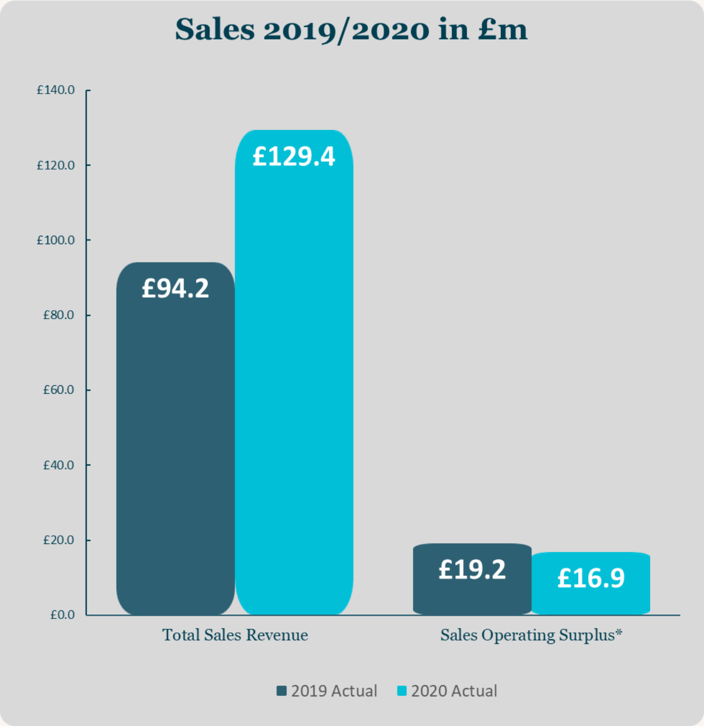


Shared Ownership



FOCUS ON MID-MARKET SEGMENT

FY2020 Sales performance



* FY2020: net of £4.7m impairment due to contractor failure (2018/19 : £0.4m reversal)

- Strong sales result in a difficult market
- 2019 dominated by Brexit uncertainty and elections. From March 2020 onwards Covid-19 impacted on sales

MARKET SALES UNITS

97
FY2019

109
FY2020

SHARED OWNERSHIP UNITS

489
FY2019

618
FY2020

Sales stock and completions (30 September)

Stock – 328* Shared Ownership Units

Stock -119* Market Sales Units

Shared Ownership position at the end of September 2020

- Sales completions: 382 YTD
- Reservations (net of cancellations) : 553
- Current Exchanges: 26

Private sales position at the end of September 2020

- Sales completions: 35 YTD
- Reservations (net of cancellations) : 79
- Current Exchanges: 12

Current Market

- All sites open for viewing
- Values generally holding at pre-lockdown levels
- Stamp duty holiday has led to increased interest
- Lenders have re-entered the market
- Current stock levels broadly in line with 31 March 2020 levels (SO stock 339 units, MS stock 119 units)
- Forward sale programme grown significantly

Record levels of sales YTD but external risks persist:

- Entire sector experiencing delays in converting reservations into exchanges and completions
- Increased mortgage constraints and availability and restricted LTVs
- Shortages in surveyors and solicitors also contributing to the backlog

STRONG FIRST HALF IN 2020/21

** Stock figure is unsold units as at 30 September 2020 less offers signed, reservations and exchanges*

Sustainable Development – the route map to Operational Net Zero Carbon New Homes (on own controlled sites)

2021	2022	2023	2024	2025
• We will set a minimum standard of a 35% carbon reduction, bringing our regional projects up to the GLA requirements for London • We are implementing zero carbon trials on our small site programme developing learning for the wider business. • All new homes will have a zero carbon transition plan for future improvements.	• Zero carbon trials will be expanded to cover larger developments, especially apartments. • From 2022 we will transition away from gas boiler installations as we remove fossil fuels from our developments • Embodied carbon measurement to be undertaken on all Clarion new home developments .	• From 2023 all new homes delivered will be zero carbon compatible. This means they will have a low energy demand with no gas or oil burning. • Any commercial spaces in developments will be zero carbon compatible, with requirements for prospective tenants to fit out sustainably – including the heating/cooling. • We will increase the minimum standard to 50% carbon reduction over Building Regs compliance	• By 2024 we aim to deliver all social and affordable rented homes as net zero carbon (in operation)	• All homes delivered from 1 Jan 2025 onwards, as well as commercial spaces and community centres will be built to net zero carbon standards (in operation).

OBJECTIVES

- Building new high performance homes
- Meeting and exceeding Government legislation
- Increased savings for residents
- Embrace grid decarbonisation and new technology

Summary

- ✓ **Robust governance structure and processes**, including a rigorous investment appraisal methodology
- ✓ Realignment of strategy to the prevailing market conditions
- ✓ Continued **flexibility** to adjust expenditure
- ✓ **Quality and energy efficiency are key priorities**
- ✓ Geographical spread with a mid market positioning – **not focusing on high end London residential**
- ✓ Continual monitoring of sales risk, with risk share via JVs
- ✓ **Limited market / private sale exposure**, reducing further going forward
- ✓ Focused Sustainability strategy in place

FOCUS ON MAINTAINING CREDIT QUALITY

Financial overview

Financial Strategy & 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 (currently being reviewed)
- 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”**

Financial Golden Rules

- The Financial Golden Rules are Clarion's internal financial metrics and set thresholds for financial planning. They act as "early warning" signals.
- Group performance in line with metrics - bar net debt / turnover (the threshold for which was reduced from 4.5 times). Conscious decision taken not to chase turnover (which had originally been anticipated at higher levels).
- Group remains committed to continue employing a prudential financial framework on an internal basis
- A full review of FGRs underway this quarter, as part of a planned cyclical review (current metrics set Spring 2016)
- New framework will be communicated once approved

Financial Golden Rules – Draft Group level HY2020/21 performance	
EBITDA MRI Interest cover (>1.5)	1.9
Development Sales as a % of Turnover (<40%)	18%
Net debt / turnover (rolling 12 months) (<4.0)	4.5
Operating Margin (excl. Disposals) (>30%)	31%

FINANCIAL DISCIPLINE CORE TO CORPORATE STRATEGY

Statement of Comprehensive Income

	ACTUAL 2019/20* £M	ACTUAL 2018/19 £M
RENT & OTHER INCOME*	714.1	721.7
SHARED OWNERSHIP, OPEN MARKET SALES & DEV. CONTRACT INCOME	127.4	94.2
TURNOVER	**841.5**	**815.9**
OPERATING COSTS	(496.7)	(481.6)
COSTS OF SALE	(110.6)	(85.3)
ASSET DISPOSAL SURPLUS	58.8	33.3
OPERATING SURPLUS	**293.0**	**282.3**
OPERATING MARGIN	***35%***	***35%***
OTHER GAINS/(LOSSES) & SURPLUSES, INCLUDING JCEs**	(8.9)	13.1
NET FUNDING COSTS***	(114.3)	(141.9)
SURPLUS ON ORDINARY ACTIVITIES BEFORE TAX	**169.8**	**153.5**

FY2019/20

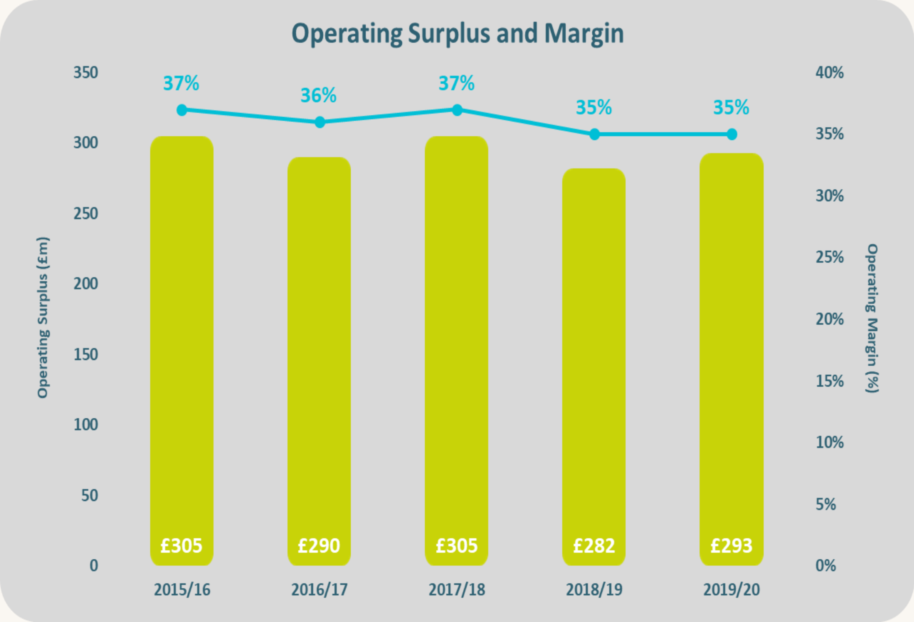
Solid performance, despite challenging operating environment

STRONG PLATFORM FROM WHICH TO ABSORB COVID IMPACT

Source: 2019/20 Group Financial Statements; 2018/19 Group Financial Statements (2018/19 data from comparatives shown in 2019/20 statements)
* Turnover less Shared Ownership First Tranche Sales and Open Market Sales
** Surplus on disposal of other fixed assets + Surplus on disposal of operations + Share of operating surplus of JCEs and associates + Gain/(loss) on revaluation of investment properties
*** Interest receivable + Interest payable and financing costs + Movement in fair value of financial instruments

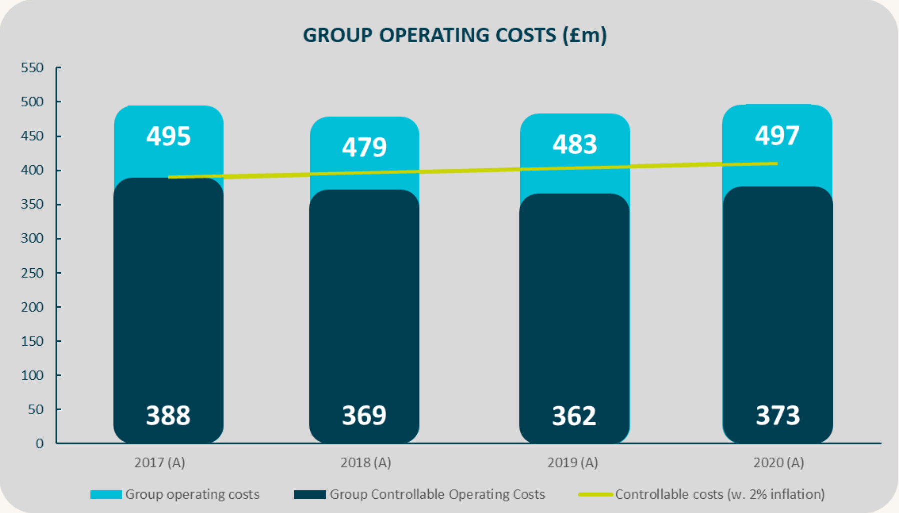
Long term consistent performance

- Operating surplus impacted by 1% year-on-year rent cuts for 4 years from FY2017 to FY2020 inclusive
- Increased revenue cost pressures arising from fire and building safety spend
- Focus on operating efficiency to mitigate cost pressures - and create capacity for long term investment



OPERATING MARGIN HELD UP DESPITE RENT CUTS AND COST PRESSURES

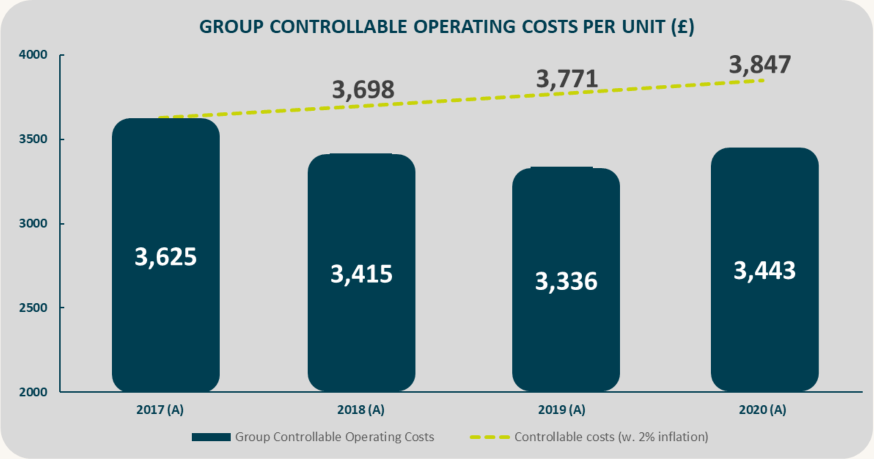
Operating Costs



Controllable costs exclude depreciation and amortisation

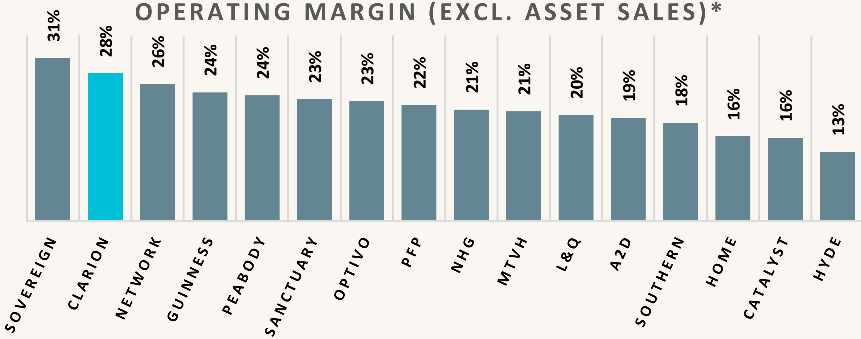
- Controllable Operating Cost per Unit has increased by 3.1% compared to prior year but is £186 (5%) down compared to FY16/17
- Equates to £404 per unit (11%) for FY19/20 vs FY16/17 in real terms

- Reduction in controllable operating costs in real terms despite new costs (e.g. fire and building safety)
- Equates to £39m (10%) for FY19/20 vs FY16/17 (£15m or 4% in nominal terms)
- Realised efficiencies are reinvested in business including for fire and building safety



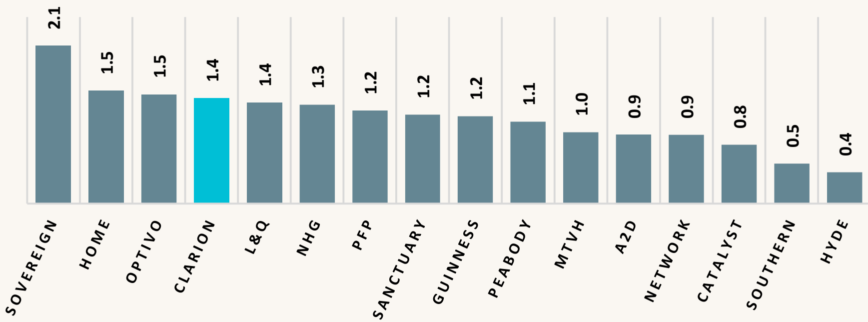
Benchmarking (2019/20 accounts – G15 + 5 largest†)

OPERATING MARGIN (EXCL. ASSET SALES)*



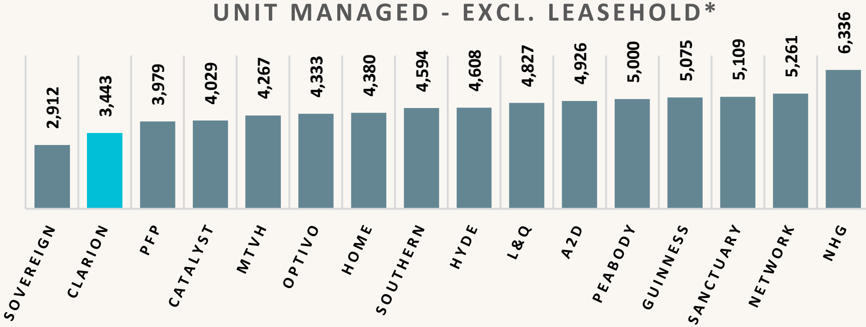
* Operating Surplus *less* surplus from asset sales and, where included in Operating Surplus, adjusted to deduct investment property revaluation and surplus/(deficit) from joint ventures. Turnover unadjusted.

EBITDA MRI INTEREST COVER*



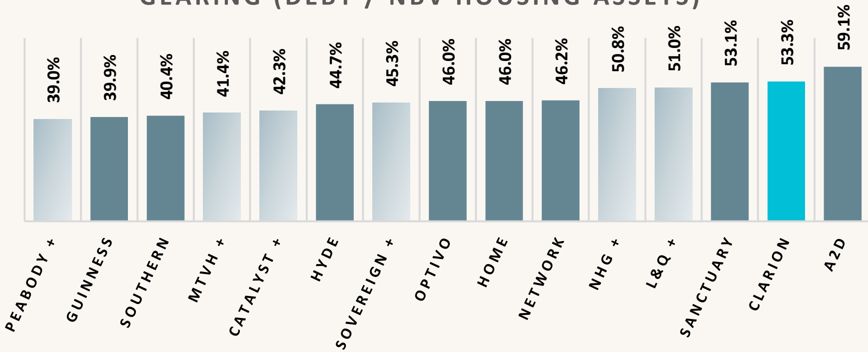
* Definition per Regulator (which excludes surplus from asset sales), except: 1) where included in Operating Surplus, EBITDA MRI adjusted to deduct investment property revaluation and surplus/(deficit) from joint ventures; 2) Clarion interest receivable adjusted to remove £15.5m breakage income; 3) credits to interest due to release of acquisition accounted loan fair values excluded

OPERATING COST (EXCL. DEP'N & AMORT'N) PER UNIT MANAGED - EXCL. LEASEHOLD*



* Operating Surplus *less* surplus from asset sales and, where included in Operating Surplus, adjusted to deduct investment property revaluation and surplus/(deficit) from joint ventures for comparability (most HAs exclude from Operating Surplus).

GEARING (DEBT / NBV HOUSING ASSETS)*



* Definition per Regulator (total debt less cash / net book value of housing assets). Places for People excluded due to incomparability.
+ HA elected for 'deemed cost' on adoption of FRS102 for some assets. 'Cost' for these assets reflects valuation at March 2014.

† Based on all available accounts published as at 12th October. See Appendix for further detail of definitions.

Business Plan

2020 Long Term Financial Plan – key changes vs 2019

- **Integration of material Covid19 changes**
- **Slower development programme –** “target” development output of 4,000 units p.a. (2019: 5,000 units)
- **Change in tenure mix**: 50% affordable rent (2019: 30%), 30% shared ownership (2019: 50%) and 20% private sales (2019: 20%).
  - ✓ increase the supply of affordable rent will help to meet the anticipated increased demand of affordable accommodation expected in an economic downturn
  - ✓ reduction of sales risk exposure
- **Grant funding** on new generic units in line with grant rates currently being achieved
- **30% increased investment in existing homes** over next 10 years
- **Reduced debt levels**: primarily driven by lower new development capital expenditure

THE NEW PLAN REFLECTS OUR PRUDENT APPROACH IN UNCERTAIN TIMES

Asset Disposals

- Key Drivers Disposals Strategy:
  - Based on the Real Estate Strategy – "Clarion 2040" setting out long term portfolio targets for asset quality, geography, archetype etc
  - Exit non-core areas <u>but</u>
  - Ensure that homes are sold to HAs (or LAs) with good customer service standards, sound financial strength and a local presence

- LTFP assumptions
  - Disposals have been shifted into the following financial year due to Covid19, reflecting a prudent view
  - The long term disposals strategy does not require Clarion to dispose of assets in an adverse environment or at unattractive conditions

- FY2020 surplus of £58.8m:
  - including a stock transfer of Newcastle and South Tyneside (March 2020) – 1,342 units sold to The Riverside Group

SUCCESSFUL EXECUTION OF DISPOSAL STRATEGY

Overview

- ✓ Good performance, despite adverse external environment
- ✓ Financial risks well managed and mitigated
- ✓ Continued drive for efficiency gains, for example:
  - IT enabled business transformation
  - Office rationalisation programme
  - In-sourcing
  - Procurement
- ✓ Capacity created to reinvest in assets and service delivery
- ✓ Maintaining financial resilience remains a strategic priority

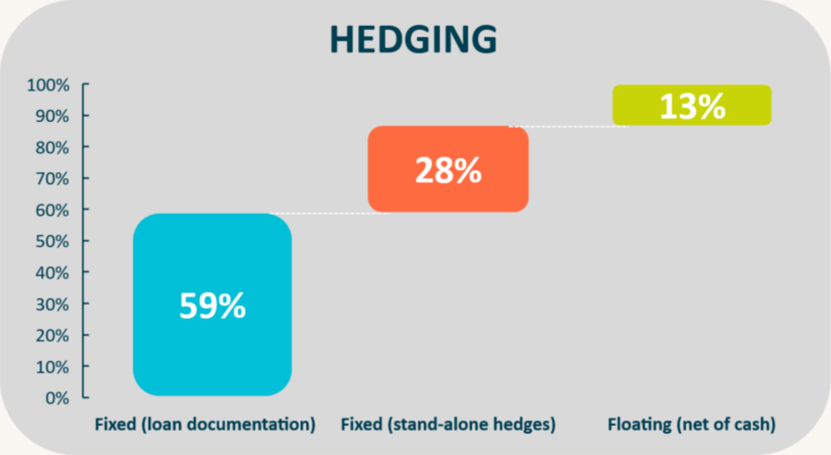
Treasury

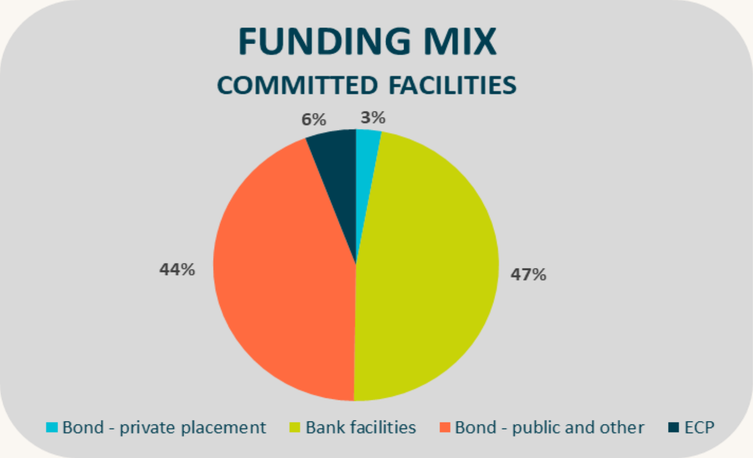
Debt and Liquidity Overview

KEY DATA (position as of September 2020)

Total committed funding Of which £1.06bn (21%) undrawn	£5.2bn	Hedged position	87% fixed
Strong Core Liquidity position of which c. £0.1bn cash and c. £1.06bn undrawn facilities	£1.16bn	Fair Value Derivatives	(£412)m

£1.16bn
Liquidity

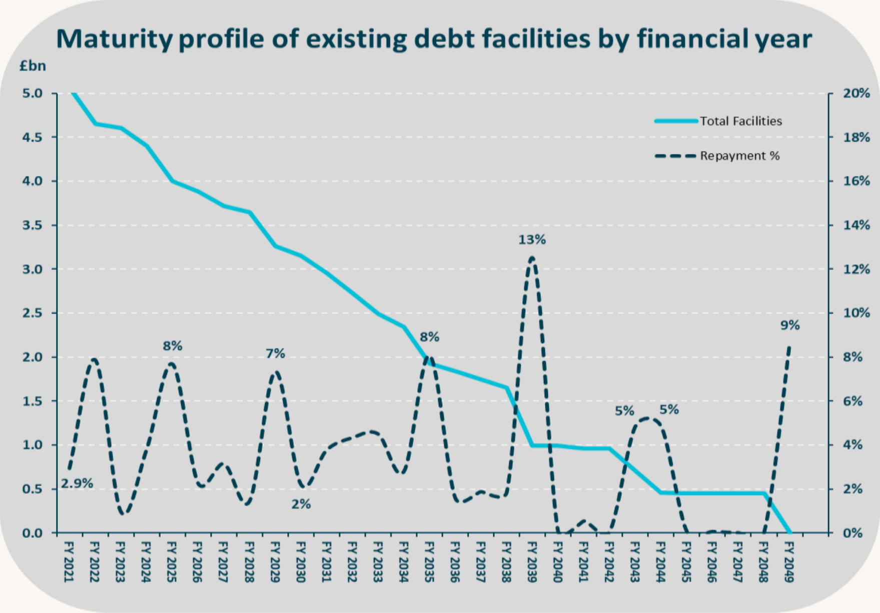


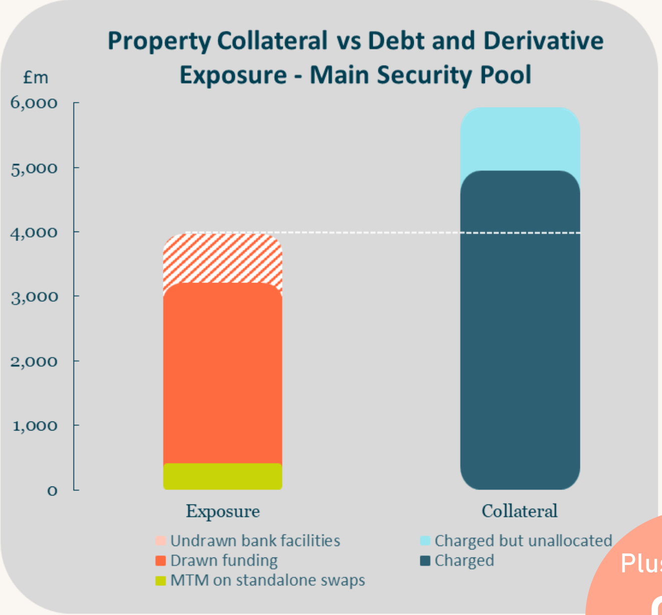


STRONG LIQUIDITY; GOOD INTEREST COST VISIBILITY; DIVERSIFIED FUNDING SOURCES

Facility Repayment Profile and Property Security

30 September 2020





Plus a further c. £1.6bn Unencumbered Assets

- Facility maturities are well distributed, reducing large refinancing risks in a single year
- Large charged but unallocated security position of c. £1bn

MANAGEABLE REFINANCE RISK; EXTREMELY STRONG SECURITY POSITION

Funding strategy

- Ensure sufficient security of funding
- Maintain liquidity
- Secure flexible funding arrangements
- Diversify funding sources
- Improve speed/access to market
- Lower cost of new funding

BUSINESS STRATEGY IS UNDERPINNED BY A CLEAR FUNDING STRATEGY

Public Credit Ratings

Moody's: A3 (stable) (updated 10th December 2019)

Credit strengths include:

- One of the largest housing associations in the UK
- Stable financial metrics and consistent strategy
- Ample unencumbered assets and bespoke treasury policy

A3

Stable outlook

S&P: A (negative) (updated 3rd July 2020)

- "Funding activities in recent months have resulted in a significantly stronger liquidity position, creating a strong buffer to fund investments and debt service obligations over the next 12 months"
- "the group's interest coverage will remain solid"
- "Clarion should remain relatively resilient to the pandemic's impact."

A

Negative outlook

CLARION
HOUSING GROUP

Thank you

CLARION HOUSING GROUP

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Appendix: Benchmarking definitions

HA Group selected for comparison: ‘G15’ of Largest London Housing Associations plus five largest English HAs by turnover. NB: One Housing had not published 2019/20 accounts as at 12th October and therefore was not incorporated in this group.

Definitions:

Operating Margin

Operating Surplus / Turnover

Where:

- Operating Surplus = Operating Surplus *less* surplus from asset sales and, where included in Operating Surplus, adjusted to deduct investment property revaluation and surplus/(deficit) from joint ventures.

EBITDA MRI as % interest (Regulator of Social Housing definition)

(EBITDA MRI ÷ Gross interest payable) x 100

Where:

- EBITDA MRI = Operating surplus - Gain/(loss) on disposal of fixed assets (housing properties) - Amortised government grant - Grant taken to income + Interest receivable - Capitalised major repairs expenditure for period + Total depreciation charge for period
- Gross interest payable = Interest capitalised + Interest payable and financing costs

NB: As noted in the slide entitled “Benchmarking (2019/20 accounts – G15 + 5 largest)”, the following further adjustments were made to aid comparability:

1) where included in Operating Surplus, EBITDA MRI adjusted to deduct investment property revaluation and surplus/(deficit) from joint ventures;
2) Clarion interest receivable adjusted to remove £15.5m breakage income;
3) credits to interest due to release of acquisition accounted loan fair values excluded

Operating Cost (excluding Depreciation and Amortisation) per unit

(Operating cost *less* Depreciation *less* Amortisation) / no. of housing units

Where:

No. of housing units = all units in management excluding leaseholder properties (i.e. those where the HA owns the freehold only)

Gearing (Regulator of Social Housing definition)

(Net debt ÷ carrying value of housing properties) x 100

Where:

- Net debt = [short-term loans + Long term loans - Cash and cash equivalents + Amounts owed to group undertakings + Finance lease obligations]
- Carrying value of housing properties = [tangible fixed assets: housing properties at cost (period end) / tangible fixed assets: housing properties at valuation (period end)]
- Cost is the net book value after any depreciation rather than just the cost of properties