

# ESG Report

Environmental, social  
and governance summary  
2020



# Introduction



**At Clarion Housing Group, our social purpose and corporate strategy align with investors looking for solid performance and a commitment to improve key environmental, social and governance indicators.**

**One of the key reasons Clarion was formed was to harness the benefits of scale to maximise social value, environmental responsibility and good governance while delivering good quality and affordable homes and neighbourhoods to those failed by the market.**

**Our Sustainable Housing Finance Framework aims to improve our impact on lives, communities and the economy in which we operate.**

As the UK's largest affordable housing provider, Clarion is taking the lead on Environmental, Social, and Governance reporting in line with the UN Sustainable Development Goals (SDGs).

We believe Clarion is able to make a significant positive impact to people and the environment, which is why we have aligned the measurement and reporting of our activities to these global standards.

This report brings together key metrics to inform investors' assessments and fulfil the requirements of our [Sustainable Housing Finance Framework](#) and [Certified Sustainable Housing Label](#) which we have introduced.

Clarion was one of the founding members of The Good Economy led initiative which published the May 2020 White Paper: "UK Social Housing: Building a Sector Standard Approach to ESG Reporting". Since then, a wide-ranging consultation has been undertaken with housing associations, the investor community and other interested stakeholders to develop a "Sustainability Reporting Standard

for Social Housing" that is due to be published imminently and therefore this report aligns to it, reporting against each proposed measure. A summary table of measures with references to the relevant report sections is [available here](#).

**More information on our activities is available on our [website](#) together with other published documents. If you have further queries please contact [investor.contacts@clarionhg.com](mailto:investor.contacts@clarionhg.com)**



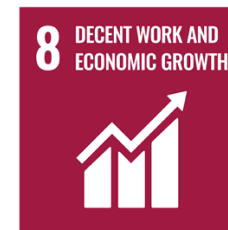
## Our goal is to balance the three dimensions to sustainability: **social, environmental and economic.**

As a Group comprising the largest social landlord in the country, we are uniquely placed to influence the lives and wellbeing of our residents. This relationship is further leveraged through our charitable foundation, Clarion Futures.

Clarion Futures works at every level in our communities, focusing on key social issues including work and training, digital skills and debt and financial exclusion – as well as providing facilities and opportunities for our residents to prosper. We're investing £150 million in our communities over the next decade, generating over £1 billion in social value. Through our efforts towards constantly improving in all three areas, we're committed to pioneering a sustainable housing sector in Europe. In doing this, we can also have a positive impact in line with a number of the UN Sustainable Development Goals (SDG).



Clarion Futures offers support, employment, skills and opportunities across the UK and works towards reducing fuel poverty and digital and financial exclusion. Access to affordable housing also plays a significant role in determining physical security and increasing economic inclusion.



Our Clarion Futures Jobs and Training programme runs a free service which includes work placements, apprenticeships, employability training and a job brokerage service. In 2019/20, the service supported almost 3,500 people into jobs and training, including vulnerable and long-term unemployed people.



Maintaining and promoting the health and wellbeing of our residents is a central element of all our operations. For example, Clarion Futures Communities creates allotments, open green spaces, community centres and playgrounds on our estates to contribute to the health and wellbeing of our residents.



Our Youth Ambassador programme is inclusive of young residents, helping them build their life skills and access employment. We also have resident networks focusing on reducing inequalities for LGBT+ and disabled people. We have a diverse and inclusive workplace that we are committed to maintaining and have achieved bronze level status in the National Inclusion Standard.





We exist to build homes and create communities, playing our part in tackling the housing crisis with a long-term commitment to the people living in our homes. Our model is not to build and then move on to the next site. We are long-term stewards of place, committed to building sustainable, thriving communities.



Our new homes and retrofits include measures that help to meet energy efficiency standards and contribute to reducing CO2 emissions. Our target of continually improving our housing stock energy performance is key to driving this. For our operations, our main offices include energy efficiency in their design.



Our network of external partners helps us achieve our environmental and social aims. These include the UK Green Building Council, Housing Associations' Charitable Trust, National Housing Federation, Business in the Community and Inclusive Employers. And through the Love London Working programme, we've helped get more than 4,000 long-term unemployed people into work over the last three years. We work with large national employers such as Sainsbury's and Pret a Manger to secure work and training opportunities for our residents.



Recent developments in the construction industry promise increased possibilities for the recycling of building materials using circular economy principles endorsed and encouraged by us across our supply chain. We co-funded the UK Green Building Council's research into the benefits of incorporating circular economy principles into a project brief.



As a housing provider, we have direct control over valuable open spaces in urban locations and strive to minimise the impact of housing on biodiversity and the environment.

# Structure of the report

This report showcases our work in terms of the specific themes outlined in the Sustainability Reporting Standard for Social Housing.

They also match the key UN Sustainable Development Goals (SDGs). Under each theme are a number of individual criteria that we have reported against. [A summary table of responses is also provided.](#)

ESG Area	Theme	Description	Key Sustainable Development Goals	
Social	Affordability and Security	Provides affordable housing	11	Sustainable Cities and Communities
			10	Reduce Inequality
	Building Safety and Quality	Resident safety is well managed	11	Sustainable Cities and Communities
	Resident Voice	Listens to residents' voice	11	Sustainable Cities and Communities
	Resident Support	Supports residents, and the local community		
	Placemaking	Supports residents and the wider local community through placemaking		
Environmental	Climate Change	Prevents and mitigates the risk of climate change	13	Climate Action
	Ecology	Promotes ecological sustainability	15	Life on Land
	Resource Management	Sustainable management of natural resources	12	Responsible Consumption and Production
Governance	Structure and Governance	Legal structure of the organisation and its approach to Governance	16	Peace, Justice and Strong Institutions
	Board & Trustees	High quality board of trustees		
	Staff Wellbeing	Supports employees	8	Decent Work and Economic Growth
	Supply Chain Management	Procures responsibly	12	Responsible Consumption and Production

# Social

Clarion Housing Group continues to build on the vision and heritage of our Victorian founder William Sutton. Our mission is to deliver good quality, affordable homes and neighbourhoods to people failed by the market.

Having a place to live is fundamental to an individual's life chances. Without a safe and secure home, the ability to achieve the things others take for granted is severely reduced. By providing a home to 350,000 people, we have the scope to make an even bigger impact. From simply helping people find their feet to helping them get a foot on the ladder, we change lives.



## Affordability and Security

**This theme seeks to assess the extent to which the housing provider provides homes that are genuinely affordable to those on low-incomes. The theme is made up of five criteria, including affordability, the tenure mix of new and existing properties and security of tenure.**

There is huge value delivered through Clarion's provision of affordable housing. For the second year, we have attempted to value the financial benefit or savings associated with our below market rents. During 2019/20, this amounted to circa £430 million, a significant increase on the £350 million delivered last year and equivalent to £8 million per week.

For this report, 2019/20 Local Housing Allowance (LHA) figures and our published 2019 Statistical Data Return (SDR) figures of rent charged were used for comparison.

95,154 general needs and affordable homes have rents lower than LHA. We have 1,828 homes where the rent is higher than LHA (less than 2%) with around a quarter less than £1 a week over. The majority of these are variations in the way the units are designated for comparison or in a new development area where there was little housing previously and thus the comparison is skewed. Overall the saving versus LHA is £432 million per year for the units where the rent is lower.



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**In 95,154 homes where the rent is LOWER**

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Median difference is £74.29 less per week

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**Total is £8,312,710 less per week**



Local Housing Allowance (LHA) rates are used to calculate the amount of Housing Benefit (or the housing element of Universal Credit) that can be paid to tenants. It is based on private market rents being paid by tenants in the broad rental market area and is limited by legislation. Clarion sets nearly all of its rents significantly below this level.



### Affordability comparison for homes for social rent

Unit size	19/20 Clarion average rent charged as % of LHA (in London)	19/20 Clarion average rent charged as % of LHA (not in London)
1 bed	49%	71%
2 bed	48%	69%
3 bed	44%	63%
4 bed	40%	53%
5 bed	39%	54%
6 beds +	40%	61%

Our primary focus is providing good quality social and affordable rented homes as can be seen in the profile of the assets under management.

Our homes are spread nationally across over 170 local authorities, but the majority of our homes are in London, the south east and east of England.



## Units under management - Group

	At 31 March 2020
Social housing	
Social rent	76,365
Affordable rent	12,945
<b>General needs</b>	<b>89,310</b>
Supported	1,208
Housing for Older people	7,146
Shared ownership	8,540
Intermediate rent	475
Keyworker	964
Social leaseholders	9,984
Staff accommodation	102
<b>Social homes under management</b>	<b>117,729</b>
Non-social housing	
Market rent	811
Non-social leaseholders	5,859
<b>Homes under management</b>	<b>124,399</b>

There simply aren't enough affordable and suitable places for people to live. Clarion leads the call for affordable housing and we'll lead by example. The Group has ambitious growth plans and will invest billions in new housing over the next decade - our pipeline is currently in excess of 17,000 homes. The financial year 2019/20 saw us complete 2,101 new homes and start work on a further 2,572. Of these, 86% and 83% homes respectively were for affordable tenures.



2019/20 new home completions (by tenure)	No.	%
Social rent	198	9.4%
Affordable rent	729	34.7%
Intermediate rent product	0	0.0%
Low-cost ownership homes (e.g. shared ownership & rent to buy)	883	42.0%
TOTAL AFFORDABLE	1,810	86.1%
Market sale	291	13.9%
TOTAL	2,101	

**Clarion offers security of tenure to existing and prospective residents and we let the vast majority of our homes either with an assured periodic 'lifetime' tenancy or a fixed-term tenancy depending on the size of the home and local housing market conditions.**

**We aim to be responsive to the wide range of housing needs and flexible in ensuring we make the best use of our homes, letting them as quickly as possible.**

In areas where demand is low or we have difficulty letting a property we will consider the use of assured periodic tenancies where this can assist successful letting.

For fixed term tenancies, the usual period for the initial let is six years, including a short probationary period. We expect tenants to honour their tenancy obligations, pay the rent, look after the property and respect their neighbours. If a tenant meets their obligations and their financial, family and social



circumstances have not significantly changed, we would typically offer a further fixed term tenancy of five years with no limit to the number of times further fixed terms can be offered.

In some limited circumstances a shorter or varied term of no less than two years may be offered. This includes where a property is part of a scheme earmarked for regeneration, where the applicant has limits to their leave to remain in the UK, or where pre-existing contractual arrangements are in place.

We comply with the regulatory requirement to maintain security of tenure by offering existing tenants, who have a lifetime tenancy, social rent, and who transfer to another social rent home, another lifetime tenancy.

We have tenancy sustainment specialists within our housing team that work closely with residents. Over the financial year 2019/20 we supported over 2,300 households to stay in their homes. We helped residents gain more than £500,000 in extra income and prevented 587 evictions.

In addition, we provided targeted support for the most vulnerable to fuel poverty through our Clarion Futures Money programme which helps residents manage their money more effectively. Clarion Futures Money helps residents struggling to pay bills by giving energy efficiency advice, support with engaging with energy suppliers and help to access the Warm Homes Discount.



## A foundation to thrive: Tenancy Sustainment

When Patrick was given the keys to his new Clarion home having been previously homeless, it was clear that further support was needed to help make his new house a home. Patrick had recently recovered from a back operation and was in desperate need of furniture, to have somewhere comfortable to sit and recover properly. Patrick was also struggling to get out and about to get essential supplies and collect his medication.

The Tenancy Sustainment team worked with Patrick to identify what was needed and then supported with applications to charities who provide furniture and white goods. They also worked with colleagues in Clarion Futures and Patrick was awarded funding to cover the cost of a washing machine and fridge freezer from Clarion Futures' own grant programme. A local charity provided Patrick with a cooker and another provided him with a sofa.

Alongside this, a referral was made by the team to another local organisation who could help Patrick with collecting his medication while he was unable to get to the pharmacy.

Patrick said: *"Clarion provided me with a roof over my head but I didn't expect they would help me with so much more. I now have a safe, comfortable home with everything I need in it. You really can't put a price on that."*



## Building Safety and Quality

**This theme seeks to assess how effective the housing provider is at meeting its legal responsibilities to protect residents and keep buildings safe. The theme is made up of three criteria; Decent Homes compliance, disclosing gas safety checks and fire risk assessments.**



The safety of our residents and their homes is our number one priority and we take our regulatory obligations, compliance and management of associated risks seriously. The four key areas are Decent Homes, gas safety checks, fixed wiring (electrical) tests and fire risk assessments.

Clarion is required to comply with gas legislation and we have clear and specific duties under these regulations. We use vetted contractors to undertake maintenance, repairs and servicing to fulfil them. Group compliance in gas servicing has been impacted by the Covid-19 outbreak and we have had to delay or postpone some servicing due to residents self-isolating or shielding. As of October 2020 compliance stands at 99.53% and we are working to recover the situation to the 100% target.

Clarion manages 100,000 domestic fixed wiring tests across a mixture of tenures which can impact upon access. The compliance KPI target is 95%. With the Covid-19 lockdown restrictions, access and testing ceased with

compliance below our target. We anticipate a return to the 95% target may take us up to 6 months to achieve.

- Homes - September 2020: 88.54%
- Communal - September 2020: 96.93%

The KPI for compliant fire risk assessments (FRAs) for the group was 96.25% in March 2020 before Covid-19 lockdown restrictions were imposed. This dropped below our 95% target subsequently, but recovered back to 95.9% in September 2020.

Clarion continues to maintain an excellent record on the Decent Homes Standard with compliance at 100%.

## Resident Voice

**This theme seeks to assess how effective the housing provider is at listening to and empowering its residents. The theme is made up of three criteria that cover board scrutiny, complaint handling and resident satisfaction.**



We place our customers at the heart of everything we do. We encourage them to play their part in shaping our services through a wide range of initiatives that, together, help us continually improve the way we work and the customer experience. We facilitate opportunities for residents to engage with us on a national, regional and local level. Clarion also has been an early adopter of the NHF Resident Involvement Charter which aims to strengthen the relationship between housing associations and their residents.

At a regional level, residents can volunteer to join one of our five scrutiny committees. Each region focuses on a specific topic, with committee members presenting their feedback to our Housing Association Board, which is then tasked with taking the appropriate action on behalf of all our residents.

We have established a digital resident involvement platform, Clarion Voice, open to residents across the country and also have a range of networks that focus on the specific needs of different groups, such as our Out & About network which looks at the service we

provide to our LGBT+ residents and helped us to achieve our LGBT+ Pledge Card status.

Over the year we held Partnership Days to facilitate engagement with our residents to help us understand what matters most to them. Held locally across the country, these events unite residents in a fun but purposeful atmosphere - and they bring a visible Clarion presence to the estates and communities we serve.

## Involving our residents

In 2019 a Policy & Communications Review Group (PCRG) was established comprising residents from across the country who would like to help us review our policies and communications.

The PCRG has been closely involved in the Residents' Annual Report 2019/20 and as a direct result of their feedback we have decided to re-launch our residents' magazine, which began with a pilot copy published in December exclusively for the PCRG to feedback on. Their thoughts influenced the following edition, available for all residents.

We have now developed a 'Reviewed by Residents' logo to evidence that residents' comments and suggestions have influenced final documents and policies.

Our performance as a responsible and customer-focussed landlord is demonstrated by our excellent customer satisfaction, which we survey and review every year.

We work hard to deliver a good quality service to all our residents and resolved 9,252 complaints last year. However, we accept that sometimes despite our best efforts, things don't go to plan. At the end of 2019/20 we had 282 open complaints and our average time for resolving them was 14 days. We received 51 determinations from the Housing Ombudsman, which represent less than 0.5% of complaints. We continually target improved performance in this area.



## Most common resident complaints



Resolve issues within reasonable timescales



Keep us informed



Improve quality of repair



Staff complaint



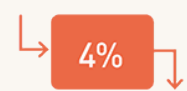
Avoid missed appointments



Reopened complaints



Process and procedures



Monitor follow on works better

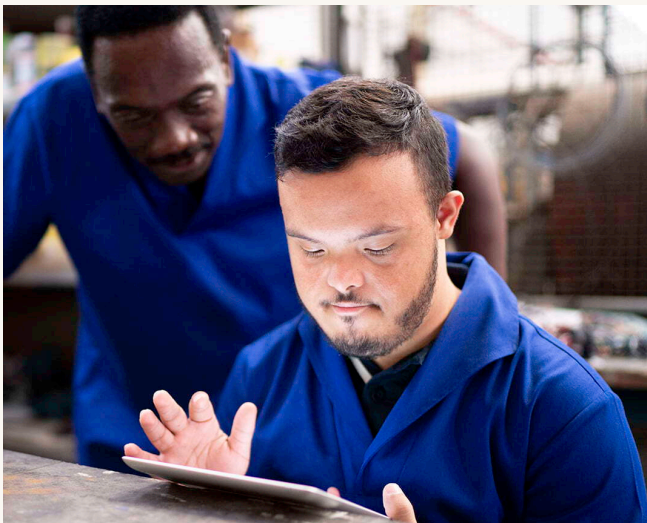


## Resident Support

**This theme seeks to assess the effectiveness of the initiatives that the housing provider runs to support individual residents. The theme covers what support is provided and how successful it is.**

Our charitable foundation, [Clarion Futures](#), exists because we want to help our residents to develop their future and maximise the opportunities available to them. Through Clarion Futures, we are investing £150 million over the next 10 years to deliver one of the biggest social investment programmes in the country. It focuses on three main areas: jobs and training, financial and digital inclusion, and making Clarion neighbourhoods more attractive and vibrant places to live.

Across these areas, we help people access work, volunteering opportunities, grants and free debt advice and we are committed to creating new or improved facilities and better outside spaces in our communities. Last year, in addition to £2.1m external funding it secured, Clarion Futures directly spent £14.3 million in delivering these programmes - around 8% of the Group's net surplus prior to this investment.



## How we helped Jess set up her own business

Studying for a qualification in dog grooming, Jess, 27, dreamed of running her own mobile business and creating a better future for herself and her young daughter, but didn't know how to get started.

Having learned about the support provided by Clarion Futures through a presentation at her college, Jess got in touch in search of advice and guidance. Jess was paired with Rumana, one of our business advisers, and they worked together to make her dream a reality. Taking one appointment at a time, Jess grew in confidence and began to learn key business skills.

Together they created a business plan, designed a logo and marketing materials and applied for a loan to help get Fresh Pets Grooming off the ground.

Today, the business is thriving, with Jess the proud owner of a van complete with the slogan and logo she designed with Rumana with help from her daughter.

*Jess said: "When I first met Rumana, I never imagined that I would get this far and have my own business. It has been a hard but rewarding journey, and will create a much better future for me and my daughter, giving us the opportunity to live a more fulfilling life together along with the freedom of being self-employed."*

*She added: "It has been an amazing learning curve and I look forward to the future now. Clarion Futures has been amazing in helping me along with this journey and without them I don't think I would have got to where I am now."*



Mobile Grooming. I've got here with the help

Press play to hear more about Jess

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Using the recognised HACT social value model, the work carried out by Clarion Futures has delivered £130 million in social value in 2019/20, an increase of £5 million compared to the previous year. This social value combined with the savings from social and affordable rents, circa £430 million, far outweighs the Group's surplus of £168 million and clearly demonstrates Clarion's commitment to its overarching social purpose.

**To achieve the best value for money Clarion Futures sets targets against 30 Key Performance Indicators (KPIs) across six guidance and support areas.**

**Key highlights in 2019/20 were:**

- **Delivery of 4,612 digital skills training hours, well surpassing the target of 3,800. Community volunteers - our 'Digital Champions' - delivered 3,465 hours, exceeding a target of 2,800;**
- **Securing £211,000 of internal and external grant funding to help residents, surpassing the target of £200,000. The 3,512 debt advice cases supported fell slightly short of the 3,700 target due to the impact of the Covid-19 pandemic at the end of the year;**
- **58,193 positive engagements in communities took place however the target for community land and building physical improvements was not achieved due to funding delays, which meant we were able to improve a combined 21,737sq.m of space against the 35,000sq.m target; and**
- **For another year running, our jobs and training service surpassed its target and supported 3,834 into work.**

## Placemaking

**This theme seeks to highlight the wider set of activities that housing providers undertake to create well-designed homes and places that meet local needs and provide great places for people to live and enjoy. The theme covers examples of the housing providers' placemaking or placeshaping work.**



The Group has ambitious growth plans and will invest billions in new housing over the next decade - our pipeline is currently in excess of 17,000 homes. Even through these challenging times, we will continue to build at scale to address the housing shortage, providing people with the vital places they need to live, and creating the vibrant spaces around them they can enjoy. We have a long-term commitment to

residents and creating sustainable, thriving communities because we care about people, place and how they come together. Proactive and flexible, we tailor our approach to meet specific housing needs and opportunities.

### **Breathing new life into a community**

The Merton Regeneration Project is a planned £1.3 billion investment in three Merton neighbourhoods where Clarion will replace 1,200 existing homes with almost 3,000 new homes and related community, commercial and retail infrastructure over 12 years. The Merton project adopts the principles of renowned architect Jan Gehl - “first life, then spaces, then buildings.’ It takes close account of the impact of regeneration on existing residents’ lives, ensures quality of public space is paramount and uses design of appropriate scale and density to help residents feel valued.

The scheme is designed to be ‘tenure blind’ - meaning affordable and private homes cannot be told apart - and is the result of over 500 hours of consultation with local people. Every home will be built with its own private outdoor space, new landscaped pedestrian and cycle routes will be created as well as two public parks and new community facilities for events, classes and clubs.



All our residents deserve to live in good quality, safe and sustainable homes. To make that a reality, we take a long-term approach to asset management. Every home needs investment and improvement over time and our Clarion 2040 strategy sets out the standards we expect for our residents.

We have expanded our age-friendly communities work, developing and implementing a strategy that sets out how we'll help people lead better lives as they grow older in our communities. It focuses on empowering residents to shape their neighbourhoods, and designing and building homes that meet their needs at every stage of life.

Every community is unique and all our work within Clarion Futures Communities is shaped by the needs of local people. In 2019/20 Clarion Futures involved 308 young people in 21 Community Ambassador programmes, who contributed thousands of volunteer hours in our communities, and awarded over £255,000 in Community Grants to 63 projects.

## **The Clarion 2040 vision is that:**

**Clarion will be the undisputed leading housing group for good quality, fit for purpose, well managed, sustainable and affordable homes by 2040. In July 2019, the Group Executive Team approved the adoption of the Clarion Standard.**

**It has a clear, transformational aim of bringing the quality of our homes up to an enhanced standard by 2040. The Standard was developed in consultation with key stakeholders, including our involved residents, who shaped our aspirations and helped define targets and the key strands of work.**

# Environment

As the largest social landlord in the country, we inevitably have a substantial direct environmental footprint. Clarion also influences the much larger footprint of our 350,000 residents and our many suppliers through the choices we make about the homes and services we provide and how we do business.

We're keen to work with our residents, suppliers, government and other stakeholders to enhance our plans to reduce carbon emissions and make all elements of the Group more sustainable.



## Climate Change

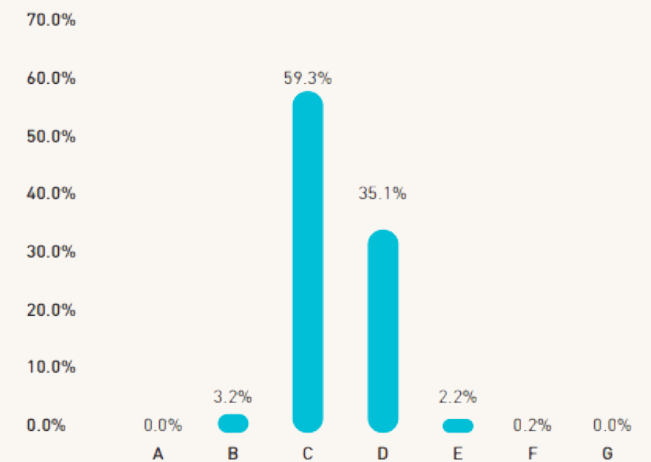
**This theme seeks to assess how the activities of the housing provider are impacting on climate change. This theme considers current practice, as well as the changes being made to improve performance in the future. The theme is made up of five criteria, including the distribution of EPC ratings, emissions data, climate change impact risk and resident information provision.**

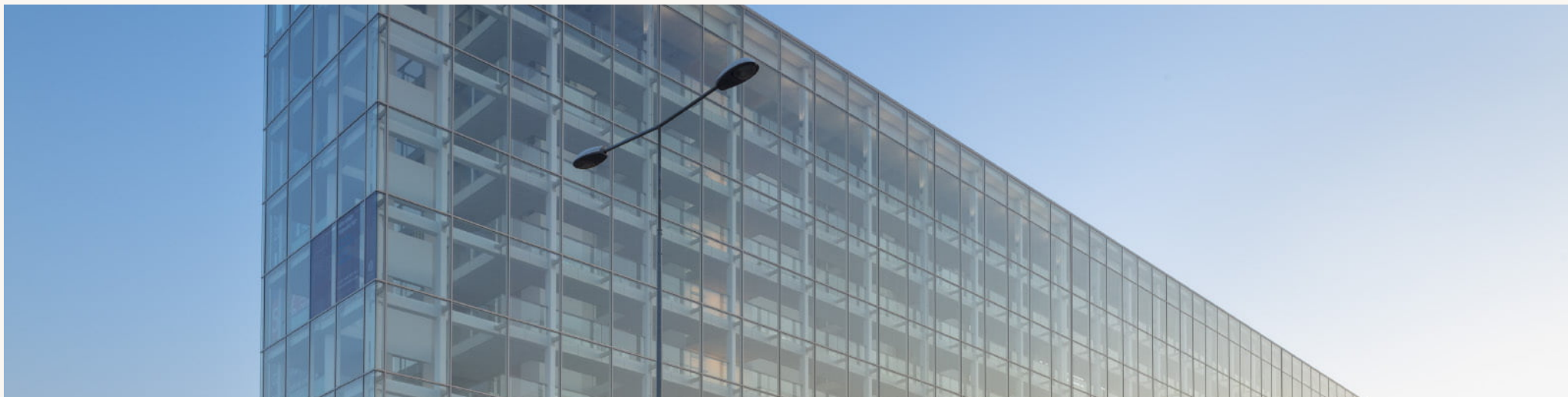
The carbon emissions from our existing homes are the largest component of our indirect carbon footprint. Our focus is to improve the energy efficiency of the homes with the lowest Energy Performance Certificate (EPC) ratings (Es and Fs). In 2019/20, we included retrofit measures as part of our planned investment programme to ensure all our homes achieve at least a minimum D rating by 2025.

We have almost halved our properties that are below EPC D since 2018 and we're now preparing to go beyond this in line with the Clarion 2040 Standard, which commits us to make further improvements.

We've also committed to increasing our annual investment in home energy efficiency (for items other than replacement boilers) from £2 million per annum to £6 million per annum over the next five years.

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





### 2019/20 Energy efficiency improvements of existing stock

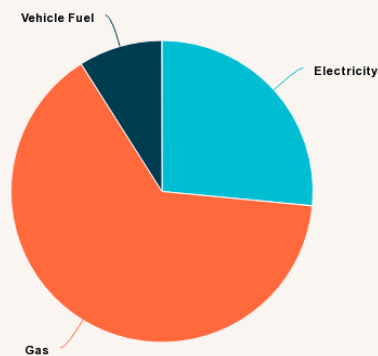
Energy efficiency Measure	Number of installations	Estimated annual carbon savings (kg CO2)*	Estimated annual energy bill savings for residents*	Investment
New boiler	3,013	1,205,000	£316,000	£8,693,248
Air Source Heat Pump	30	105,000	£15,000	£325,000
External Wall Insulation	112	112,000	£27,440	£1,121,680
Loft insulation	31	1,500	£300	£11,423
Solar PV	3	1,500	£300	£45,000
<b>TOTAL</b>	<b>3,189</b>	<b>1,425,000</b>	<b>£359,000</b>	<b>£10,200,000</b>

\*Energy bill & carbon saving estimates based on average savings from the Energy Saving Trust



In 2019/20 we achieved a minimum EPC B across nearly all of the 78% of our new build homes that were assessed. Only seven homes did not meet this requirement as they were part of a building conversion. The remaining 22% did not have certificates available at the time of completing this report. We're now working on new sustainability standards that will lift quality and environmental performance even further.

Total carbon emissions - Tonnes CO<sub>2</sub>e



*Clarion's direct (Scope 1 and 2) carbon emissions 2019/20*

We've started work to reduce our largest source of direct (Scope 1 and 2) carbon emissions - communal heating systems - and have audited major sites to identify where the potential for carbon reduction is greatest. We've also continued to roll-out smart meters to our residents which will also help reduce our energy consumption and save money.

In addition, our electricity and gas procurement activities for 2020/21 have achieved big savings. We're now also buying 100% zero carbon electricity for all our landlord supplies and offices where we pay the bills. This means we have traceable supply from zero carbon electricity sources - renewables and nuclear. We're confident that our reportable carbon emissions will decrease from next year.

Scope 3 (indirect) carbon emissions are tracked for our homes, using equivalents based on our asset database information, but not for other areas yet. This includes carbon emissions from areas such as purchased goods and services, business travel, employee commuting and waste disposal. We are working on an enhanced data collection framework to include these items and aim to report on these within three years.

We are aware of the increased risks from climate change including increased flood risk and increased risk of homes overheating. We are working to get a better understanding of the potential impacts on our homes. Notably, all new development projects include flooding and overheating risk assessments.

## Warmer, more sustainable homes

As part of a retrofit pilot project to look at replicable solutions for upgrading the energy performance of our homes, we upgraded three houses in Borehamwood from D/E ratings to highly efficient B ratings through external wall insulation and the installation of solar panels. The properties were solid-walled, meaning they were difficult to insulate by conventional means. Solar panels were installed to sit within the tiles making them less exposed and longer lasting. Batteries were also installed in the panels and we monitored their benefits in storing electricity at times when more power is generated than can be used by the household.

As well as each of the three homes achieving B energy ratings, based on the first six months of monitoring, the solar panel and battery storage system is contributing 20-25% of the residents' electricity needs with annual electricity savings of between £175 and £230 across the three households. One of the households has managed to directly use 80% of the overall electricity generated by their solar panels and all have commented how much warmer their homes felt in the winter months.

Clarion provides guidance on environmental actions to residents including targeted advice on saving money on energy bills like the correct use of heating and ventilation, as well as further support from Clarion Futures Money for vulnerable residents.



## Ecology

**This theme seeks to assess how the housing provider is protecting the local environment and ecology. The theme considers both policies and the results of the housing provider. The theme is made up of two criteria that review different elements that impact the local ecology: managing pollutants and biodiversity.**

We are working to improve green space and promote biodiversity around our homes. Notably we have been working with Building with Nature as a pilot at our Barne Barton regeneration scheme in Plymouth. [The Building with Nature framework](#) offered us a route to integrate improvements to the development in a straightforward and effective way that is also in keeping with our focus of putting residents at the heart of our regeneration projects and the lessons learned are being used in our new development approaches.

Clarion has a strategy to actively manage and reduce pollutants both as part of our safe working practices and maintaining the healthy standards of our properties. These are managed separately through our health and safety management system and in our home condition survey, repairs management and void processes that connect to our asset management system.

We also engage with communities through our Clarion Futures Communities programmes, such as planting trees which were given as part of a carbon offsetting process for our van fleet or our community-led gardening social enterprise in Bow, Growing Concerns. We are capitalising on opportunities to link in with existing green infrastructure early in the planning process and reinforcing residents' requests to see nature at the heart of their new community.



## Resource Management

**This theme seeks to assess how the housing provider is managing resource use. The theme considers both policies and the results of the housing provider. The theme is made up of three criteria that cover: sourcing materials, waste management and water management**

Clarion recognises that building new homes potentially carries an increase of direct and indirect environmental footprint, particularly through the increased use of raw materials and production of waste from building and construction works.

Following the trial implementation of a [Circular Economy Strategy for our Merton redevelopment](#), we are working on a new strategy that will track and increase the use of responsibly sourced materials and improve waste management for all building projects. This will include a new online data collection and reporting system to improve targeting and performance measurement that will be rolled out with our contractors and partners.

It will complement the work we already do with our planned investment partner contractors to measure waste and recycling and target improvements. The strategy will also cover good water management and will work alongside our existing strategy that targets reduction of direct waste to landfill. We expect to be able to report on this and benchmark our performance from next year.





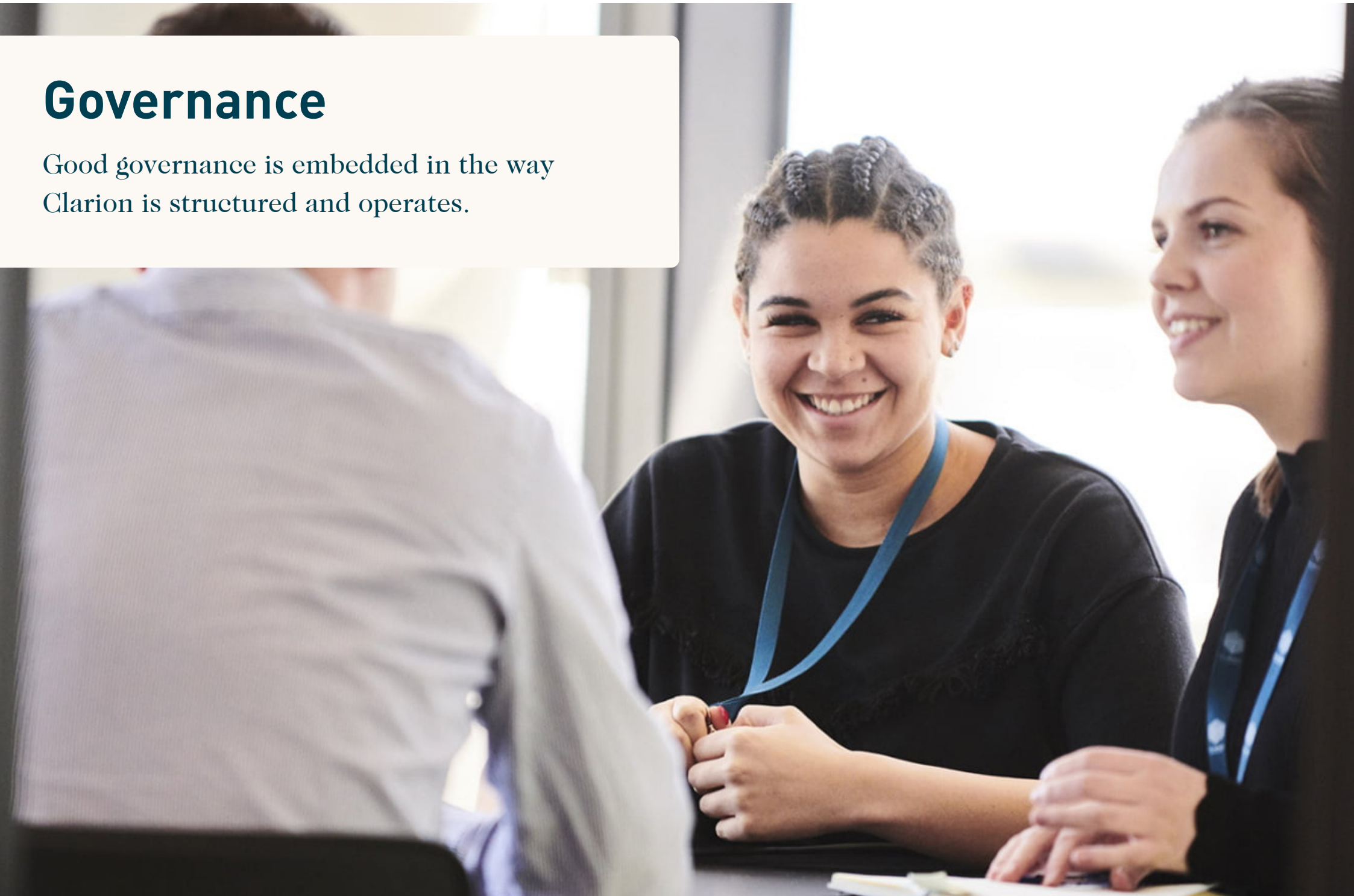


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# Governance

Good governance is embedded in the way Clarion is structured and operates.



## Structure and governance

**This theme seeks to assess the quality, suitability and performance of the corporate and governance structure. The theme is made up of six criteria including ownership, governance and risk approaches.**

Clarion is a charitable registered society, registered with the Regulator of Social Housing. On the 25th March 2020, the Regulator announced that it was reaffirming the highest possible ratings for governance and viability for Clarion Housing Group. Clarion retains its G1,V1 status following an in depth assessment (IDA) by the Regulator at the start of 2020.

The Group has adopted the National Housing Federation's (NHF) Code of Governance, based on clear requirements and commitments which enable the Board to demonstrate compliance with best practice in the housing sector. The Group routinely self-examines performance against the main requirements of the Code and regularly reviews its effectiveness. The Group Board has overall responsibility for risk management with a particular focus on our risk appetite - i.e. the degree and type of risk it is prepared to take to achieve our overall objectives. This is set within the context of the rapidly changing external environment including regulatory, political and economic change, all of which can have significant and immediate impacts on our business.

Our risk management framework is key to ensuring we achieve a suitable balance between maintaining sufficient financial and risk capacity while maximising our outputs and ambitions. The framework is built around the three lines of defence model and builds upon our core approach, which is to monitor, manage, respond and communicate.

The Audit and Risk Committee oversees the effectiveness of the assurance arrangements, systems and processes adopted by the Group to manage risk with a focus on the Group's strategic risks. The Committee also provides specialist advice to the Board on any particular risks that may threaten the delivery of objectives or undermine the financial strength of the business. The Group Executive Team is responsible for the delivery of the Group's strategy and managing risk, having day-to-day responsibility for operational performance and the management of risk within the business. More detail is contained within our Annual Report and Accounts 2019/20.



## Board and Trustees

**This theme seeks to assess the quality, suitability and performance of the board of trustees. The theme is made up of eleven criteria including demographics of the board, ownership, experience and independence of the board.**

The Group Board has ten non-executive directors and two executive directors who bring a broad range of skills, experience and knowledge to their roles, including expertise in finance, business and public administration. The Board includes 20% women and the roles of the Chair of the board and CEO are held by two different people. The average length of Board members' service is three years, with an average age of Board members of 58.

Non-executive directors can serve no more than nine years in total. 58% of the Board and Group Executive team have turned over in the last two years. The last independently-run, board-effectiveness review was two years ago. Details of our Board and Executive Team members can be found on our [website](#).

The Audit and Risk Committee includes three non-executive Group Board Members, a non-executive member of Clarion Housing Association and one independent non-executive member. All have recent and relevant financial experience. It receives reports on conflicts of interest for the Group.

The Group Remuneration and Nominations Committee does not have any current executives sitting on it.

KPMG have been the external audit partner responsible for auditing the accounts since Clarion's formation nearly four years ago.





## Staff wellbeing

**This theme seeks to assess the extent to which the housing provider is a good employer to its internal staff. The theme is made up of five criteria, the CEO-worker pay ratio, a disclosure on being a Living Wage employer, gender pay gap, sick days and support provided to employees.**

We aim to make Clarion a great place to work. As a result, our people are passionate about our purpose, are productive and fulfilled in what they do, feeling they belong and can be themselves.

We are committed to ensuring all of our people are fairly rewarded for the role they play at Clarion. We externally benchmark salaries for existing roles and before new appointments are made, both against others in the housing sector and the wider UK market. We aim to be median payers and focus on attracting people through the additional benefits available, especially the organisation's strong sense of purpose.

Our median gender pay gap is 2.7% with men at Clarion earning marginally more per hour than women. Although this benchmarks well externally, we are continuing our work to support female representation at leadership levels.

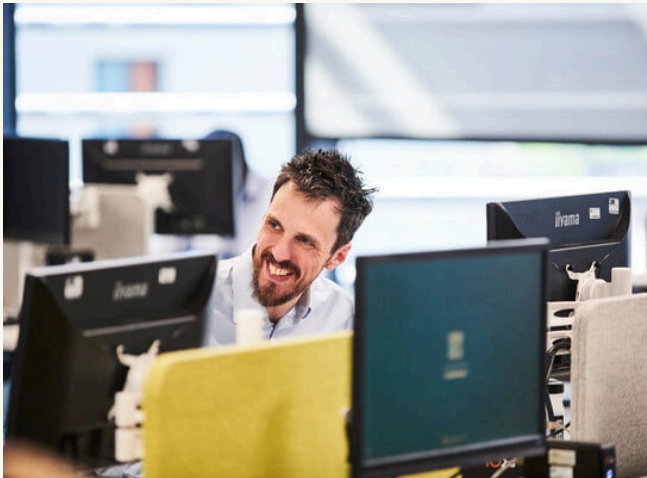
We ensure all our staff are paid at least the Living Wage, although we do not maintain accreditation for this, and our chief executive

to average pay ratio is 10.7:1. This compares favourably to a typical FTSE 100 company where chief executive pay is over 100 times more than the median worker.

Clarion recognises that employee wellbeing is essential to being a successful organisation and a great place to work. We are committed to encouraging staff to best manage their own wellbeing, with support from line managers, relevant departments, staff network groups and external support providers. To support this, our Health & Safety Team have created Wellbeing Matters.

Wellbeing Matters brings a number of key areas affecting employee wellbeing under a single banner, enabling staff to readily access information, guidance and support to better manage their own wellbeing, and to identify colleagues/employees that may be experiencing an issue to signpost them to seek assistance.

This includes: Mental health support, stress risk assessment, physical health tools included in employee benefits, financial health and social



health. Employees can also access diversity networks covering BAME, ability, gender and LGBT+. We provide a 24 hour Employee Assistance Programme, a range of training via our Learning Platform, guidance for managers, personal stories, links to external information and support groups, crisis and suicide prevention and domestic abuse support.



## Supply Chain

**This theme seeks to assess the extent to which the housing provider uses its supply chain to achieve positive outcomes. The theme is made up of two criteria covering social value and environmental impact in procurement.**

All large procurements of goods and services (>£250,000) require consideration of both social value and environmental impacts.

Environmental impacts are considered by assessing purchases against the goals and action areas of the existing sustainability strategy. For example, we have introduced additional

requirements to our large planned investment partnership contracts that set in place targets for reduction of supplier carbon emissions and waste and enhanced reporting. Additional requirements are being set in place as part of creating a new strategy. New requirements will be introduced into the development of new homes first.

### Working with our supply chain to improve lives

Clarion is committed to using its buying power to drive social change. When procuring new services we score each contractor not only on how commercially viable the bid is but how the proposed procurement might improve the economic, social and environmental wellbeing of the community.

As part of the process to procure 20-year planned investment contracts, we included a requirement for the delivery of social value which made up 5% of the overall evaluation score. Each year we monitor delivery of social value against the points bid through a KPI on our Partnership Balanced Scorecard. Where demands of certain elements of social value change, for example following the Covid-19 outbreak, we negotiate with our partnering contractors to identify works that meet the same points value. This provides us with flexibility to meet changing demand and to ensure that our partnering contractors can achieve the outcomes we want to achieve.





# Sustainable Investment

Utilising our leading commitment to environmental, social and governance issues (ESG) and our accreditation by the pan-European Certified Sustainable Housing Label, we raised £350m in a bond issue in January 2020. This bond issue included a commitment to use the proceeds to fund new energy efficient affordable homes.





For this first ESG Report since the bond issue we have included a calculation of capital expenditure in 2019/20 on new affordable homes (social rent, affordable rent and shared ownership) completed or under construction that met or are expected to meet a minimum EPC B rating. In other words, the amount of expenditure on new energy efficient affordable homes. Within the financial year we will publish further updates on year to date expenditure in 2020/21.

The table below details the expenditure on all affordable assets (“Total capital expenditure on new affordable housing”) and shows how much of this expenditure we have been able to validate relates to homes completed or under construction that met or are expected to meet a minimum EPC B rating - “Qualifying Amount (Gross)”.

Some expenditure has been incurred on affordable homes that are currently at too early a stage for EPC validation and so we expect this figure to increase when we next report.

The table below also includes a deduction for expected capital receipts relating to these assets arising from capital grant and forecast first tranche sales (“Deductions”). This leaves the expected net funding requirement to which the bond proceeds will be applied (“Net expenditure on energy efficient affordable homes”). This figure represents the expected net cost of the sustainable assets invested in in 2019/20 which the Group expects to hold on its balance sheet for the long term. This estimate will be updated as actual grant and first tranche sales are received.

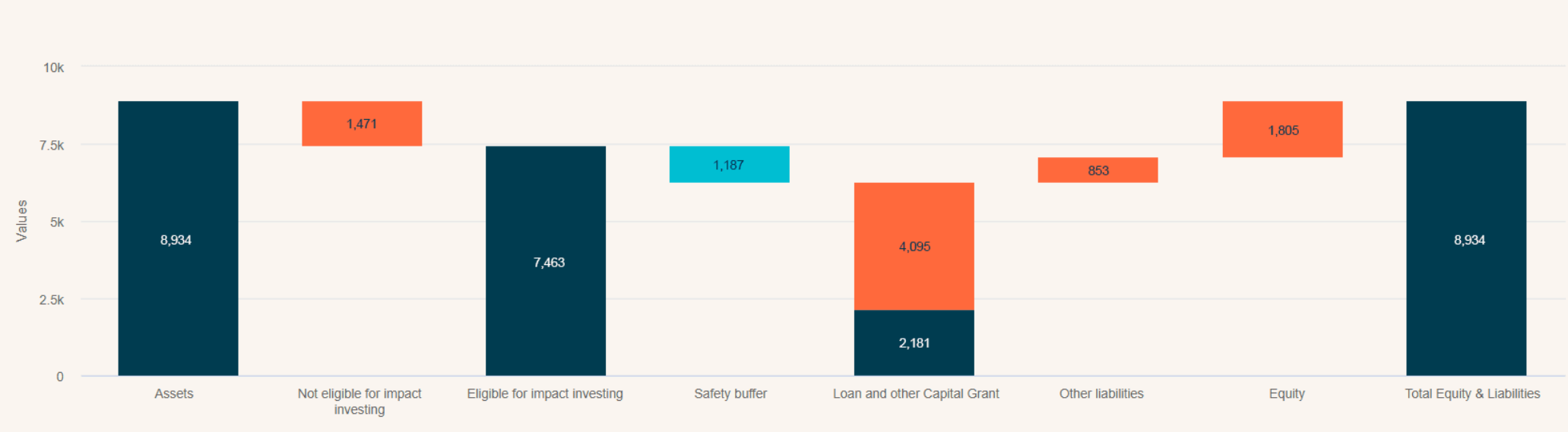
### Total capital expenditure on new affordable housing

Total capital expenditure on new affordable housing	£472M
Qualifying Amount (Gross)	£377M
Deductions for expected capital receipts (grant and FTS)	£72M
Net expenditure on energy efficient affordable homes	£305M

The Sustainable Housing Finance Framework further introduced the “Sustainable Safety Buffer”. This buffer is designed to ensure that capital raised at a company level is always used for the financing of sustainable assets. For this purpose, the composition of the assets and liabilities side of the balance sheet (Statement of Financial Position) is considered.

The calculated sustainable safety buffer as per March 31st, 2020 was £1,187m (2019: £1,085m) – see graph below. This means that at the reporting date Clarion had £1,187m of assets potentially eligible for funding under the framework that have not already been funded by capital grant or loans.

Calculation of Safety Buffer (£ millions)



# We want to hear from you

**We hope this report provides you with the information you want to know about our ESG performance. We would be interested to know in which capacity you are reading the report and would be grateful if you can select which of the following applies to you in this poll.**

We would be really interested to hear your feedback on our first ESG report, please send your comments to [investor.contacts@clarionhg.com](mailto:investor.contacts@clarionhg.com).

**Please select which of the following applies to you:**

- ☐ Investor
- ☐ Resident
- ☐ Employee
- ☐ Supplier
- ☐ Regulator/Government
- ☐ NGO
- ☐ Housing Association
- ☐ Consultant
- ☐ Rating agency
- ☐ Media
- ☐ Other

Thank you for reading our

# ESG Report

Website: [clarionhg.com](https://clarionhg.com)

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LinkedIn: [clarion-housing-group](https://www.linkedin.com/company/clarion-housing-group)

