



WHEN TRUST MATTERS



# CLARION HOUSING GROUP SUSTAINABLE HOUSING FINANCE FRAMEWORK 2024



## CLARION HOUSING GROUP

**Document title:** Second Party Opinion on Clarion Housing Group Sustainable Housing Finance Framework

**Prepared by:** DNV Business Assurance Services UK Limited

**Location:** London, U.K.

**Date:** 10 April 2024

This assessment is valid so long as the evidence provided to DNV remains materially unchanged and remains applicable in the context of the financial Framework being assessed.

# CLARION HOUSING GROUP SUSTAINABLE HOUSING FINANCE FRAMEWORK 2024

## DNV INDEPENDENT ASSESSMENT

### Scope and Objectives

Clarion Housing Group (henceforth referred to as “Clarion” or the “Company”) is a leading housing association in the UK. With a portfolio of 125,000 properties and 360,000 residents, the Company aims to provide homes for those who need them the most, by providing subsidised rent and free social support for its residents. Clarion operates on a national level with a presence in almost every local authority area in England, as well as a geographically diverse new home building programme. Clarion recognises achieving its core social purpose will only be possible if it commits to improving homes and communities for existing and future generations in line with a transition to a low carbon economy, and by reinvesting their surplus into building and redeveloping UK homes.

As the single biggest partner of the Social Housing Decarbonisation Fund, and as part of the Company’s ambition to finance net zero, Clarion aims to create net zero carbon homes, deliver retrofit at scale (e.g. upgrade thousands of homes with measures including cavity wall, loft and external wall insulation, improved ventilation and the installation of air-source heat pumps), enable the recovery of nature, and to endeavour to eliminate fuel poverty. To help deliver on its social ambitions and generate over £3bn in social value by 2050, the Company has also established a procurement policy to help maximize how social value is delivered through supply chains to greater economic, social and environmental benefits for the communities in which contracts are delivered. It also reinvests its surplus into building and improving homes and communities for current and future generations, offers subsidised rent and free social support, and has established a charitable foundation, Clarion Futures, to generate social value through its work to enhance the lives of our residents and communities and deliver one of the largest anti-poverty programs in the UK.

To achieve these ambitions, Clarion has developed a Sustainable Housing Finance Framework (the “Framework”) under which it can raise capital through the issuance of a range of Sustainable Financing Instruments, including but not limited to, green, social and sustainability bonds and/or loans, to support the financing and refinancing of activities of an environmental and social nature, including the upgrading of thousands of homes across the UK through cavity wall, loft and external wall insulation, improved ventilation, and the installation of air-source heat pumps.

DNV Business Assurance Services UK Limited (henceforth referred to as “DNV”) has been commissioned by Clarion Housing Group to provide a review of its Sustainable Housing Finance Framework against the International Capital Market Association’s (“ICMA”) Green Bond Principles (GBPs) 2021 with June 2022 Appendix 1, Social Bond Principles (SBP) 2023 and Sustainability Bond Guidelines (“SBG”) 2021, alongside the Loan Markets Association’s (“LMA”) Green Loan Principles (“GLP”) 2023, Social Loan Principles (“SLP”) 2023.

Our methodology to achieve this is described under ‘Work Undertaken’ below. We were not commissioned to provide independent assurance or other audit activities. No assurance is provided regarding the financial performance of the Sustainable Financing Instruments as issued under the Company’s Framework, the value of any investments, or the long-term environmental or social benefits of the associated transactions. Our objective has been to provide an assessment that the Framework has met the criteria established on the basis set out below.

## Responsibilities of the Management of Clarion Housing Group and DNV

The management of Clarion Housing Group have provided the information and data used by DNV during the delivery of this review. Our statement represents an independent opinion and is intended to inform Clarion's management and other interested stakeholders in the Framework, as to whether it is aligned with the principles as set out by the ICMA GBPs, SBPs, SBGs and LMA's GLPs and SLPs. DNV's assessment is supplemented with international guidelines and standards, as well as DNV's own technical expertise to assess sustainability eligibility.

In our work, we have relied on the information and the facts presented to us by Clarion. DNV is not responsible for any aspect of the projects or assets referred to in this opinion, and cannot be held liable if estimates, findings, opinions, or conclusions are incorrect. Thus, DNV shall not be held liable if any of the information or data provided by Clarion used as a basis for this assessment were not correct or complete.

## Basis of DNV's opinion

We have adapted our eligibility assessment methodology to create a Clarion-specific Sustainable Housing Financing Framework Eligibility Assessment Protocol (henceforth referred to as "Protocol"). Our Protocol, detailed in [Schedule 2](#) of this document, includes a set of suitable criteria that can be used to underpin DNV's opinion.

As per our Protocol, the criteria against which the Framework has been reviewed are grouped under the four Principles:

- **Principle One: Use of Proceeds.** The Use of Proceeds criteria are guided by the requirement that any Sustainable Financing Instrument must use the funds raised to finance Eligible Green and Social Projects, that should produce clear green and/or social benefits.
- **Principle Two: Process for Project Evaluation and Selection.** The Project Evaluation and Selection. Evaluation criteria are guided by the requirements that an issuer of a Sustainable Financing Instruments financing instrument should outline the process it follows when determining the eligibility of an investment using the proceeds and outline any impact objectives it will consider.
- **Principle Three: Management of Proceeds.** The Management of Proceeds criteria are guided by the requirements that the Sustainable Financing Instruments should be tracked within the issuing organisation, that separate portfolios should be created when necessary and that a declaration of how unallocated funds will be handled should be made.
- **Principle Four: Reporting.** The Reporting criteria are guided by the recommendation that at least annual reporting should be provided on the use of proceeds until all have been allocated, and that quantitative and/or qualitative performance indicators should be used.

## Work Undertaken

Our work constituted of a high-level review of the available information provided to us by Clarion Housing Group in good faith. We have not performed an audit or other tests to check the veracity of the information provided to us.

The work undertaken to form our opinion, included:

- Creation of a Clarion-specific Protocol adapted to the purpose of the Framework, as described above;
- Assessment of documentary evidence provided by Clarion on the Framework, supplemented by high-level desktop research. These checks refer to current assessment best practices and standards methodology;

- Discussions with Clarion's management and a review of relevant documentation and evidence related to the criteria of the Protocol; and
- Documentation of findings against each element of the criteria as detailed in [Schedule 2](#) of this document.

Our opinion, as detailed below, is a summary of these findings.

## Findings and DNV's opinion

DNV's findings are listed below, with further detail provided in [Schedule 2](#).

### 1. Principle One: Use of Proceeds.

DNV confirms that an amount equivalent to the net proceeds from the Sustainable Financing Instruments (green, social and sustainability bonds and loans) as issued under the Framework, will be used to (re-)finance, in part or in full, Eligible Green and Social Projects, falling under the following ICMA/LMA Eligible Green and Social Projects categories. These are detailed below:

#### Eligible Green Project Categories:

- Green Buildings.
- Energy Efficiency.
- Renewable Energy.
- Clean Transportation.
- Terrestrial and Aquatic Biodiversity.
- Climate Change Adaptation.

#### Eligible Social Project Categories:

- Affordable Housing.
- Access to Essential Services.
- Employment Generation.
- Affordable Basic Infrastructure and Services.

The description for each of the activities falling under the Eligible Green and Social Project categories as listed above, and within the Framework, are further defined in [Schedule 1](#) of this Opinion.

Clarion Housing Group has confirmed that an amount equivalent to the net proceeds from the funds raised under the Framework via Sustainable Financing Instruments will be allocated to finance or refinance, in whole or in part, new or existing Eligible Green and Social Projects within 24 months of issuance. Dependent on the nature of the project, the investment in the Eligible Projects can be measured through asset value, capital expenditure ('Capex') or operating expenditure ('Opex'). Clarion have confirmed for Capex or Opex, a look-back period of up to 36 months prior to the time of the issuance will be applied.

Additionally, Clarion Housing has committed to working towards its own ESG strategy alongside the United Nations (UN) Sustainable Development Goals (SDGs), and has outlined what SDGs its proposed Eligible Green and Social Projects will contribute towards, specifically: SDG #1 (No Poverty), SDG #3 (Good Health & Wellbeing), SDG #4

(Quality Education), SDG #7 (Affordable & Clean Energy), SDG #8 (Decent Work & Economic Growth), SDG #10 (Reduced Inequalities), SDG #11 (Sustainable Cities & Communities), SDG #13 (Climate Action) and SDG #15 (Life on Land). Clarion has also mapped the Eligible Projects to the relevant EU Sustainable Taxonomy Objectives, as well as the Company's ESG strategy, as outlined in [Schedule 1](#).

DNV concludes that the Eligible Green and Social Project categories as described within the Framework by Clarion, provided to DNV, are consistent with those listed in the GBPs, SBPs, SBGs, GLPs and the SLPs, and that such projects will provide clear environmental and social benefits.

## **2. Principle Two: Process for Project Evaluation and Selection.**

DNV can confirm there is a robust decision-making process behind the approval of the Eligible Green and Social Projects that fall within the respective categories, as outlined in the Framework.

Clarion Housing's Sustainable Finance Group will convene, on at least a quarterly basis, to evaluate and select Eligible Green and Social Projects for allocation of a portion of net proceeds, according to the criteria as set out in [Schedule 1](#). The Sustainable Finance Group consists of team representatives from a range of internal departments within Clarion, including Group Finance and Development. This is jointly led by the Director of Treasury and Corporate Finance, and the Sustainability Director, on a rotating basis. When required, Clarion will bring in additional team members to facilitate Group discussions around the evaluation and selection process around Eligible Projects.

Decisions on the approvals of the Eligible Projects to be financed, are ultimately made on a majority vote basis by the core members of the Sustainable Finance Group. Should there be an instance of a tie, a final superseding vote will be made by the Director of Treasury and Corporate Finance after a consultation with all sponsors of the Sustainable Finance Group.

The Sustainable Finance Group responsibilities include evaluating the eligible Green and Social Projects against Clarion's internal processes, policies and procedures, ensuring they contribute to Clarion's wider Sustainability Strategy, facilitating external verification of the allocation of proceeds, and exclude projects which no longer comply with the eligibility criteria. In relation to wider sustainability matters the team is also responsible for regularly reviewing the content of the framework, aligning with appropriate national and international sustainability taxonomies and legislation, where relevant and identifying innovation in sustainable financing. The Sustainable Finance Group are also responsible for identifying, mitigating, and managing potential material risks and the negative environmental and/or social impacts, arising from the Eligible Projects,.

DNV concludes that Clarion Housing Group's Framework appropriately describes the process of project evaluation and selection, and that this is in line with the requirements of the GBPs, SBPs, SBGs, GLPs and the SLPs.

## **3. Principle Three: Management of Proceeds.**

DNV can confirm the net proceeds generated from each Sustainable Financing Instrument issuance for the (re-) financing of the Eligible Green and Social Projects will be managed and overseen by Clarion's Sustainable Finance Group via an internal monitoring system and register on at least a quarterly basis. This system will be annually assessed by auditors.

For proceeds that cannot be immediately allocated to Eligible Projects, Clarion will temporarily use all or a portion of these net proceeds for transactions, in line with its internal Treasury policy. This will be done whilst maintaining sufficient liquidity for potential Eligible Projects when required, as and when they become available.

DNV concludes that there is a clear process in place for the management of proceeds as outlined within the Framework, and that this meets the requirements of the GBPs, SBPs, SBGs, GLPs and the SLPs.

#### 4. Principle Four: Reporting.

Allocation reporting of the net proceeds will be made publicly available by Clarion on the [Company website](#) to investors annually until full allocation of the net proceeds and thereafter in the event of material changes. DNV can confirm that Clarion's allocation report will include information on:

- The type of Sustainable Financing Instrument used and respective outstanding amounts;
- Total amount of proceeds allocated to Eligible Green & Social Projects, by category (for small projects) or by project (for large projects);
- The amount and/or percentage of new and existing projects (share of financing and refinancing) and financial line item (share of Capex, Opex and asset value); and
- Any further information on how unallocated proceeds have been held.

Clarion has confirmed an appointed external auditor will verify both the allocated and unallocated proceeds on an annual basis until full allocation.

Additionally, impact reporting on selected Eligible Projects will also be provided by Clarion on an annual basis, where applicable via its website. This will include Key Performance Indicators (KPIs) demonstrating the impact of the Eligible Projects. Examples include, but are not limited to, the below:

##### Green Buildings:

- Number of new homes built with EPC rating of B or above;
- For new homes, % of carbon reduced vs UK Building regulation for new homes baseline.

##### Energy Efficiency:

- Number and proportion (%) of existing homes that are rated at EPC C or above;
- Number of installations for retrofit measures (e.g. boilers, external wall insulation, cavity wall insulation etc.).

##### Renewable Energy:

- kW solar PV capacity installed;
- Annual GHG emissions reduced / avoided in tCO<sub>2</sub>e.

##### Clean Transportation:

- Number and proportion (%) of fleet made up of low and zero emission vehicles<sup>1</sup>;
- Number of EV charging points installed.

##### Terrestrial and Aquatic Biodiversity:

- Proportion of developments completed in the past year where the company achieved a biodiversity net gain of 10% and / or proportion of developments completed in the past year where the company achieved a biodiversity net gain of 20%;
- Number of trees planted.

##### Climate Change Adaptation:

- Total spend on climate resilience interventions.

##### **Eligible Social Projects:**

---

<sup>1</sup> Aligned to EU Taxonomy definition of low emission vehicle as one that produces less than 50g of CO<sub>2</sub> for every kilometre travelled. Clarion will seek to remain aligned to the effective threshold as determined by the EU Taxonomy.

Affordable Housing:

- Number and proportion (%) of new homes delivered that are deemed to be social and affordable housing;
- Share of new lettings allocated to low-income groups.

Access to Essential Services:

- Number of residents provided with money and energy guidance;
- Number of fuel poverty initiatives (e.g. number of warm spaces created).

Employment Generation:

- Number of people placed into employment / apprenticeships;
- Number of residents placed in green jobs via Clarion's Green Employment Pathway.

Affordable Basic Infrastructure and Services:

- m2 of community asset GIA per resident of development.

For a full list of KPIs, please refer to [Schedule 2](#).

Other information to be disclosed includes details on assumptions used, the calculation methodology alongside Eligible Project descriptions and case studies.

DNV concludes that Clarion has made the appropriate plans to produce reporting on both the allocation and the impact of Sustainable Financing Instruments issued, and that this is aligned with the requirements as listed under the GBPs, SBPs, SBGs, GLPs and the SLPs.

On the basis of the information provided by Clarion and the work undertaken, it is DNV's opinion that the Framework meets the criteria established in the Protocol, and that it is aligned with the GBPs, SBPs, SBGs, GLPs and the SLPs.

**for DNV Business Assurance Services UK Limited**

London, 10 April 2024.



**Zohrah Yaqub**  
Senior Consultant and Project Manager  
DNV – Business Assurance



**Niki Hutson**  
Head of Sustainable Finance and Reviewer  
DNV – Business Assurance

**About DNV**

Driven by our purpose of safeguarding life, property and the environment, DNV enables organisations to advance the safety and sustainability of their business. Combining leading technical and operational expertise, risk methodology and in-depth industry knowledge, we empower our customers' decisions and actions with trust and confidence. We continuously invest in research and collaborative innovation to provide customers and society with operational and technological foresight.



With our origins stretching back to 1864, our reach today is global. Operating in more than 100 countries, our 14,800 professionals are dedicated to helping customers make the world safer, smarter and greener.











## SCHEDULE 1: DESCRIPTION OF ACTIVITIES TO BE FINANCED UNDER THE FRAMEWORK

Clarion Housing Group has listed its Eligible Green and Social Project Categories, with descriptions of the respective activities to be (re)-financed. The Company has also mapped out alignment to the United Nations (UN) Sustainable Development Goals (SDGs) that the below Eligible Green and Social Project categories will contribute towards, and where able, the alignment to the relevant EU Taxonomy environmental objectives.

**Eligible Green Project Categories:**

ICMA & LMA Eligible Green Project Categories	Description of Projects to be Financed	EU Taxonomy Environmental Objective Alignment	UN SDG Alignment
<p><b>Green Buildings</b></p>	<ul style="list-style-type: none"> <li>Construction of new homes within the UK, with an EPC (Energy Performance Certificate) Rating of B or higher.</li> <li>Refinancing of existing homes, with a minimum EPC rating of B or higher.</li> </ul>	<p>Climate Mitigation</p>	 

ICMA & LMA Eligible Green Project Categories	Description of Projects to be Financed	EU Taxonomy Environmental Objective Alignment	UN SDG Alignment
<p><b>Energy Efficiency</b></p>	<ul style="list-style-type: none"> <li>▪ Retrofit of existing homes that improve building fabric and EPC rating by at least two notches (to minimum EPC C or above), or reduce annual modelled carbon emissions by 30% across the funded programme.</li> <li>▪ Installation of fossil fuel-free or zero carbon technologies.</li> </ul>	<p>Climate Mitigation</p>	 
<p><b>Renewable Energy</b></p>	<ul style="list-style-type: none"> <li>▪ Installation of renewable energy systems (e.g. solar panels).</li> </ul>	<p>Climate Mitigation</p>	 





ICMA & LMA Eligible Green Project Categories	Description of Projects to be Financed	EU Taxonomy Environmental Objective Alignment	UN SDG Alignment
<p><b>Clean Transportation</b></p>	<ul style="list-style-type: none"> <li>▪ Expenditure to develop and promote clean transportation access for employees and residents such as the:               <ul style="list-style-type: none"> <li>○ Purchase / leasing of low and zero emission vehicles<sup>2</sup>.</li> <li>○ Installation of electric vehicles (EV) charging points.</li> <li>○ Cycling and active travel infrastructure (e.g. walking routes).</li> </ul> </li> </ul>	<p>Climate Mitigation</p>	 
<p><b>Terrestrial and Aquatic Biodiversity</b></p>	<ul style="list-style-type: none"> <li>▪ Expenditure to promote biodiversity net gain such as green roofs, walls, creation and management of parks, green spaces and new habitats and funding to plant trees.</li> </ul>	<p>Biodiversity</p>	 

<sup>2</sup> Aligned to EU Taxonomy definition of low emission vehicle as one that produces less than 50g of CO2 for every kilometre travelled. Clarion will seek to remain aligned to the effective threshold as determined by the EU Taxonomy.

ICMA & LMA Eligible Green Project Categories	Description of Projects to be Financed	EU Taxonomy Environmental Objective Alignment	UN SDG Alignment
<p><b>Climate Change Adaptation</b></p>	<ul style="list-style-type: none"> <li>Expenditure related to ensuring homes have improved climate resilience, including expenditure to protect against flood risk, overheating and improve insulation.</li> </ul>	<p>Climate Adaptation</p>	

Eligible Social Project Categories:

ICMA & LMA Eligible Social Project Categories	Description of Projects to be Financed	Target Population	UN SDG Alignment
<p><b>Affordable Housing</b></p>	<ul style="list-style-type: none"> <li>Construction, refinancing, or renovation of social and affordable housing in the UK, as per the UK government regulatory definition.</li> </ul>	<p>People in need of housing, and on the housing register for affordable / social homes who are unable to rent or purchase properties on the open market in their local area, as determined by the local housing authority.</p>	 

ICMA & LMA Eligible Social Project Categories	Description of Projects to be Financed	Target Population	UN SDG Alignment
<p><b>Access to Essential Services</b></p>	<ul style="list-style-type: none"> <li>▪ Enhance residents access to essential services through initiatives implemented by Clarion Futures such as:               <ul style="list-style-type: none"> <li>○ Money and energy advice.</li> <li>○ Grants / vouchers for food and energy for households experiencing severe hardship.</li> <li>○ Initiatives to tackle fuel poverty (e.g. warm spaces, food pantries, heated blankets, budget cooking courses).</li> <li>○ Digital skills education.</li> <li>○ Sports and arts programmes.</li> <li>○ Mental health support.</li> </ul> </li> </ul>	<p>Low-income households</p>	 
<p><b>Employment generation</b></p>	<ul style="list-style-type: none"> <li>▪ Expenditure to enable residents access to employment and apprenticeships, including but not limited to training programmes – for instance:               <ul style="list-style-type: none"> <li>○ Programmes to enable residents to pursue careers in green jobs.</li> </ul> </li> </ul>	<p>Low-income households</p>	 

ICMA & LMA Eligible Social Project Categories	Description of Projects to be Financed	Target Population	UN SDG Alignment
<p><b>Affordable basic infrastructure and services</b></p>	<ul style="list-style-type: none"> <li>Expenditure to create additional green spaces, community spaces and play areas in the housing vicinity, creating areas for recreational activity which contribute towards basic and positive mental health outcomes of housing residents.</li> </ul>	<p>Low-income households</p>	  

## SCHEDULE 2: CLARION HOUSING GROUP SUSTAINABLE HOUSING FINANCE FRAMEWORK ELIGIBILITY ASSESSMENT PROTOCOL

### 1. Use of proceeds

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
1a	Types of Financing Framework	The Sustainable Finance Framework should make clear what financial instruments are to be defined as eligible for green, social and sustainable financing.	<p>In addition to reviewing the evidence below, we have had detailed discussions with Clarion Housing Group.</p> <ul style="list-style-type: none"> <li>Clarion Housing Group Sustainable Housing Finance Framework 2024.</li> </ul>	<p>Clarion Housing Group intends to use this Framework to issue Sustainable Financing Instruments, such as green, social and sustainability bonds and/or loans to (re-)finance new or existing Eligible Green and Social Projects.</p> <p>DNV can confirm that Clarion intends to allocate net proceeds within 24 months of issuance of the Sustainable Financing Instrument under the Framework, to an Eligible Project.</p> <p>Separately, a lookback period of 36 months prior to the time of issuance will apply for the Capex and Opex of the Eligible Project.</p>
1b	Green / Social / Sustainable Project Categories	The cornerstone of a Green/ Social/ Sustainability Bond/ Loan is the utilisation of the proceeds which should be appropriately described in the legal documentation for the security.	<p>In addition to reviewing the evidence below, we have had detailed discussions with Clarion Housing Group.</p> <ul style="list-style-type: none"> <li>Clarion Housing Group Sustainable Housing Finance Framework 2024.</li> </ul>	<p>Clarion Housing Group intends to use the proceeds from Sustainable Financing Instruments issued under the Framework, to (re-)finance, in part or in full, Eligible Green &amp; Social Projects falling under the following ICMA/LMA Eligible Green and Social Projects categories:</p> <p><u>Green Project Categories:</u></p> <ul style="list-style-type: none"> <li>Green Buildings.</li> <li>Energy Efficiency.</li> <li>Renewable Energy.</li> <li>Clean Transportation.</li> <li>Terrestrial and Aquatic Biodiversity.</li> <li>Climate Change Adaptation.</li> </ul>

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
				<p><u>Social Project Categories:</u></p> <ul style="list-style-type: none"> <li>▪ Affordable Housing.</li> <li>▪ Access to Essential Services.</li> <li>▪ Employment Generation.</li> <li>▪ Affordable Basic Infrastructure and Services.</li> </ul> <p>DNV confirms that the Eligible Green and Social Projects as stated in the Framework and in <u>Schedule 1</u> of this opinion, are consistent with the GBPs, SBPs, SBGs, GLPs and the SLPs.</p> <p>DNV can conclude that the Framework appropriately describes the proposed utilisation of proceeds. The specificities of each issuance will need to be further assessed on an individual basis.</p>
1c	Green / Social / Sustainable benefits	All designated Green/ Social/ Sustainable Project categories should provide clear environmentally sustainable or social benefits, which, where feasible, will be quantified or assessed by the issuer.	<p>In addition to reviewing the evidence below, we have had detailed discussions with Clarion Housing Group.</p> <ul style="list-style-type: none"> <li>▪ Clarion Housing Group Sustainable Housing Finance Framework 2024.</li> <li>▪ Clarion Housing Group Sustainability Strategy <a href="#">(Link)</a>.</li> </ul>	<p>Clarion Housing has committed to working towards its own ESG strategy alongside the UN SDGs, and has outlined what SDGs its proposed Eligible Green and Social Projects will contribute towards, specifically:</p> <ul style="list-style-type: none"> <li>▪ Goal #1 (No Poverty).</li> <li>▪ Goal #3 (Good Health &amp; Wellbeing).</li> <li>▪ Goal #4 (Quality Education).</li> <li>▪ Goal #7 (Affordable &amp; Clean Energy).</li> <li>▪ Goal #8 (Decent Work &amp; Economic Growth).</li> <li>▪ Goal #10 (Reduced Inequalities).</li> <li>▪ Goal #11 (Sustainable Cities &amp; Communities).</li> <li>▪ Goal #13 (Climate Action).</li> <li>▪ Goal #15 (Life on Land).</li> </ul> <p>To make benefits quantifiable, Clarion has also provided a list of potential metrics for each topic, these are listed in section 4a.</p>



Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
				DNV confirms that the Eligible Green and Social Project Categories as detailed in <a href="#">Schedule 1</a> , will provide clear environmental and social benefits.
1d	Target Population	All designated social projects should provide the social benefits outlined in 1d to specific target populations.	<p>In addition to reviewing the evidence below, we have had detailed discussions with Clarion Housing Group.</p> <ul style="list-style-type: none"> <li>Clarion Housing Group Sustainable Housing Finance Framework 2024.</li> </ul>	<p>The proceeds will be targeting people in low-income households, as well as people in need of housing and on the housing register for affordable / social homes, i.e. those who are currently unable to rent or purchase properties within their local area on the open market. This group of people would be determined by the local housing authority.</p> <p>DNV confirms that the target population is consistent with the target populations as outlined in the SBPs and SLPs.</p>

## 2. Process for Project Selection and Evaluation

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
2a	Investment-decision process	<p>The issuer of a Sustainable Financing Instruments should outline the decision-making process it follows to determine the eligibility of projects using Sustainable Financing Instruments proceeds.</p> <p>This includes, without limitation:</p>	<p>In addition to reviewing the evidence below, we have had detailed discussions with Clarion Housing Group.</p> <ul style="list-style-type: none"> <li>Clarion Housing Group Sustainable Housing Finance Framework 2024.</li> <li>Clarion Housing Group Sustainability Strategy (<a href="#">Link</a>).</li> </ul>	<p>On at least a quarterly basis, the Company's Sustainable Finance Group will convene to evaluate and select Eligible Green and Social Projects for allocation of a portion of net proceeds, according to the criteria set out in the Sustainable Housing Finance Framework.</p> <p>The Sustainable Finance Group consists of senior team representatives from a range of internal departments within Clarion, including Group Finance and Development, the Director of Treasury and Corporate Finance and the</p>

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
		<ul style="list-style-type: none"> <li>▪ A process to determine how the projects fit within the Eligible Green &amp; Social Project categories identified in the principles.</li> <li>▪ The criteria making the projects eligible for using the proceeds; and</li> <li>▪ The environmental and social objectives.</li> </ul>		<p>Sustainability Director. This is jointly led by the Director of Treasury and Corporate Finance and the Sustainability Director on a rotating basis.</p> <p>When required, Clarion will bring in additional team members, (i.e. subject matter experts) to facilitate Group discussions around the evaluation and selection process around Eligible Projects. The Sustainable Finance Group is also attended by the Chief Financial Officer, Group Director of Development, and the Chief Property Officer, when required.</p> <p>Decisions on the approvals of Eligible Projects are ultimately made on a majority vote basis by the core members of the Sustainable Finance Group. Should there be an instance of a tie, a final superseding vote will be made by the Director of Treasury and Corporate Finance after a consultation with all sponsors of the Sustainable Finance Group.</p> <p>In addition to selecting potential Eligible Green and Social Projects, the Sustainable Finance Group aims to ensure continued compliance of Eligible Projects against the Framework and wider Company ESG strategy, whilst excluding Projects that are no longer compliant.</p> <p>DNV concludes that the activities to be financed by future Sustainable Financing Instrument issuances will be appropriately evaluated, selected, managed and reported on as outlined within Clarion's Framework, and we can confirm that they meet the requirements as set out under the GBPs, SBPs, SBGs, GLPs and the SLPs.</p>

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
2b	Issuer's environmental and social governance framework	In addition to the information disclosed by an issuer on its Green/ Social/ Sustainability Bond/ Loan process, criteria and assurances, investors may also take into consideration the quality of the issuer's overall framework and performance regarding environmental sustainability.	<p>In addition to reviewing the evidence below, we have had detailed discussions with Clarion Housing Group.</p> <ul style="list-style-type: none"> <li>▪ Clarion Housing Group Sustainable Housing Finance Framework 2024.</li> <li>▪ Clarion Housing Group's Sustainability website (<a href="#">Link</a>).</li> <li>▪ Clarion Housing Group's ESG Report (<a href="#">Link</a>).</li> <li>▪ Clarion Housing Group's Social Impact Report 2021-22 (<a href="#">Link</a>).</li> </ul>	<p>DNV has reviewed the evidence showing that the Framework falls within the wider environmental and social approach of the Company.</p> <p>To identify and manage the environmental and social risks and impacts, new and existing Eligible Green and Social Projects will be evaluated against Clarion's internal processes, policies, and procedures as well as Clarion's Sustainability disclosures. The Sustainable Finance Group is responsible for regularly reviewing the Eligible Green and Social projects, ensuring continued Eligibility, and also facilitating the verification of the allocation of proceeds by a third party.</p> <p>In relation to wider sustainability matters the Group is responsible for reviewing the framework, and for ensuring alignment with relevant frameworks and taxonomies in the future, identifying innovations in sustainable financing as well as identifying, mitigating, and managing risks associated with eligible projects.</p> <p>DNV concludes that the Framework is in line with the wider approach to managing the environmental and social responsibility of the Company.</p>

### 3. Management of proceeds

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
3a	Tracking procedure	The net proceeds of Sustainable Financing Instruments issuances should be credited to a sub-account, moved to a sub-portfolio, or otherwise tracked by the issuer in an appropriate manner and attested to by a formal internal process that will be linked to the issuer's lending and investment operations for Eligible Green and Social Projects.	<p>In addition to reviewing the evidence below, we have had detailed discussions with Clarion Housing Group.</p> <ul style="list-style-type: none"> <li>Clarion Housing Group Sustainable Housing Finance Framework 2024.</li> </ul>	<p>The responsibility of allocating proceeds from Sustainable Financing Instruments issuances to the (re-)financing of the Eligible Green and Social Projects will be managed and overseen by the Sustainable Finance Group via an internal monitoring system. This will be assessed on an annual basis by a third-party auditor, in addition to an internal register on at least a quarterly basis.</p> <p>DNV finds that the Company has made the appropriate plans to track the use of proceeds, and we can confirm that this is attested to by a formal internal process.</p>
3b	Tracking procedure	So long as the Green/ Social/ Sustainability Bonds/ Loans are outstanding, the balance of the tracked proceeds should be periodically reduced by amounts matching eligible Green/ Social/ Sustainable investments or loan disbursements made during that period.	<p>In addition to reviewing the evidence below, we have had detailed discussions with Clarion Housing Group.</p> <ul style="list-style-type: none"> <li>Clarion Housing Group Sustainable Housing Finance Framework 2024.</li> </ul>	<p>Clarion Housing Group will manage the monitoring and distribution of funds for Eligible Green and Social Projects, intended for the allocation for an amount equivalent to the net proceeds generated from each Sustainable Financing Instrument, within 24 months of issuance. This will be done for the (re-)financing of current and/or future Eligible Green and Social Projects.</p> <p>If a project or investment is found to no longer be eligible under the criteria, Clarion has confirmed that this will be removed from the Eligible Project pipeline and will be replaced with other Eligible Projects on a best-efforts basis.</p> <p>DNV concludes that there is a clear process in place for the tracking of the balance of the proceeds which accounts for disbursements.</p>

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
3c	Temporary holdings	Pending such investments or disbursements to Eligible Green and Social Projects, the issuer should make known to investors the intended types of temporary investment instruments for the balance of unallocated proceeds.	<p>In addition to reviewing the evidence below, we have had detailed discussions with Clarion Housing Group.</p> <ul style="list-style-type: none"> <li>Clarion Housing Group Sustainable Housing Finance Framework 2024.</li> <li>Clarion Housing Group Internal Treasury Policy.</li> </ul>	<p>For proceeds that cannot be immediately allocated to Refinancing of Eligible Green and Social Projects, Clarion Housing Group will temporarily use all or a portion of the net proceeds for transactions, as in line with its internal Treasury policy.</p> <p>These temporary measures will be implemented whilst maintaining sufficient liquidity at all times in order to finance potential Eligible Green and Social projects, as and when they become available.</p> <p>DNV concludes that Clarion has appropriately disclosed how it will manage any unallocated proceeds.</p>

#### 4. Reporting

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
4a	Periodical reporting	In addition to reporting on the use of proceeds and the temporary investment of unallocated proceeds, issuers should provide at least annually a list of projects to which Bond, and where appropriate Loan proceeds, have been allocated including - when possible, with regards to confidentiality and/or competitive considerations - a brief description of the projects and the	<p>In addition to reviewing the evidence below, we have had detailed discussions with Clarion Housing Group.</p> <ul style="list-style-type: none"> <li>Clarion Housing Group Sustainable Housing Finance Framework 2024.</li> <li>Clarion Housing Group ESG 2022/23 performance Report: Making a Difference 2022/2023 Report (<a href="#">Link</a>).</li> </ul>	<p><b>Allocation reporting</b> of the net proceeds will be made publicly available by Clarion Housing Group to investors annually until full allocation of the net proceeds and thereafter in the event of material changes to the allocation.</p> <p>An initial allocation report will be made publicly available on the <a href="#">Company's website</a> via the Company's 'Making a Difference' ESG report, Annual Report, or a standalone Allocation Report as appropriate, detailing:</p>

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
		<p>amounts disbursed, as well as the expected environmentally and socially sustainable impact.</p>		<ul style="list-style-type: none"> <li>• The type of Sustainable Financing Instrument used and respective outstanding amounts;</li> <li>• Total amount of proceeds allocated to Eligible Green &amp; Social Projects, by category (for small projects) or by project (for large projects);</li> <li>• The amount and/or percentage of new and existing projects (share of financing and refinancing) and financial line item (share of Capex, Opex and asset value); and</li> <li>• Any further information on how unallocated proceeds have been held.</li> </ul> <p>Clarion Housing Group have confirmed an appointed external auditor, will verify, on an annual basis, both the allocated and unallocated net proceeds until full allocation.</p> <p><b>Impact reporting</b> on selected Eligible and Social Green Projects will also be made available on the <a href="#">Company's website</a> i.e. the Company's 'Making a Difference' ESG report, Annual Report, and Allocation Report as appropriate.</p> <p>This will include:</p> <ul style="list-style-type: none"> <li>• Impact metrics (KPIs), split by eligible project category, (details of these can be seen below));</li> <li>• Detailed calculation methodology and key assumptions used; and</li> <li>• A description of Eligible Green and Social Projects or example case studies.</li> </ul> <p>To make the benefits quantifiable, Clarion has also provided a list of potential impact metrics, as follows:</p>

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
				<p><u>Eligible Green Projects:</u></p> <ul style="list-style-type: none"> <li>▪ <u>Green Buildings:</u> <ul style="list-style-type: none"> <li>○ Number of new homes built with EPC rating of B or above;</li> <li>○ For new homes, % of carbon reduced vs UK Building regulation for new homes baseline;</li> <li>○ For retrofitted homes, % of average space heating demand (kWh/m2) reduced from baseline space heat demand.<sup>3</sup></li> </ul> </li> <li>▪ <u>Energy Efficiency:</u> <ul style="list-style-type: none"> <li>○ Number and proportion (%) of existing homes that are rated at EPC C or above;</li> <li>○ Number of installations for retrofit measures (e.g. boilers, external wall insulation, cavity wall insulation etc.);</li> <li>○ Estimated carbon savings (kg);</li> <li>○ % GHG emissions reduced vs baseline;</li> <li>○ Number of fossil fuel-free or zero carbon technologies installed.</li> </ul> </li> <li>▪ <u>Renewable Energy:</u> <ul style="list-style-type: none"> <li>○ kW solar PV capacity installed;</li> <li>○ Annual GHG emissions reduced / avoided in tCO2e.</li> </ul> </li> <li>▪ <u>Clean Transportation:</u> <ul style="list-style-type: none"> <li>○ Number and proportion (%) of fleet made up of low and zero emission vehicles<sup>4</sup>;</li> <li>○ Number of EV charging points installed;</li> <li>○ Number of cycling storage spaces installed;</li> </ul> </li> </ul>

<sup>3</sup> Average space heat demand measured across Clarion's housing stock.

<sup>4</sup> Aligned to EU Taxonomy definition of low emission vehicle as one that produces less than 50g of CO2 for every kilometre travelled. Clarion will seek to remain aligned to the effective threshold as determined by the EU Taxonomy.

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
				<ul style="list-style-type: none"> <li>○ Number and proportion (%) of new homes within 1km walking distance of public transportation (e.g. bus stop / railway station);</li> <li>○ % reduction in fleet carbon emissions.</li> <li>▪ <u>Terrestrial and Aquatic Biodiversity:</u> <ul style="list-style-type: none"> <li>○ Proportion of developments completed in the past year where the company achieved a biodiversity net gain of 10%, and/or proportion of developments completed in the past year where the company achieved a biodiversity net gain of 20%;</li> <li>○ Number of trees planted;</li> <li>○ Number of new projects with Building with Nature certifications.</li> </ul> </li> <li>▪ <u>Climate Change Adaptation:</u> <ul style="list-style-type: none"> <li>○ Total spend on climate resilience interventions.</li> </ul> </li> </ul> <p><u>Eligible Social Projects:</u></p> <ul style="list-style-type: none"> <li>▪ <u>Affordable Housing:</u> <ul style="list-style-type: none"> <li>○ Number and proportion (%) of new homes delivered that are deemed to be social and affordable housing;</li> <li>○ Share of new lettings allocated to low-income groups;</li> <li>○ Share of new lettings with regard to local social housing market need;</li> <li>○ Ratio of average rent per affordable dwelling vs average market rent.</li> </ul> </li> <li>▪ <u>Access to Essential Services:</u> <ul style="list-style-type: none"> <li>○ Number of residents provided with money and energy guidance;</li> </ul> </li> </ul>



Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
				<ul style="list-style-type: none"> <li>○ Number of fuel poverty initiatives (e.g. number of warm spaces created);</li> <li>○ Number of digital skills interventions delivered;</li> <li>○ Number of sports and arts programmes delivered and number of participants;</li> <li>○ Improvement in annual resident survey metrics.</li> <li>▪ <u>Employment Generation:</u> <ul style="list-style-type: none"> <li>○ Number of people placed into employment / apprenticeships;</li> <li>○ Number of residents placed in green jobs via Clarion's Green Employment Pathway;</li> <li>○ Number of residents participating in relevant training programmes;</li> <li>○ Number of residents with employment as a result of training.</li> </ul> </li> <li>▪ <u>Affordable Basic Infrastructure and Services:</u> <ul style="list-style-type: none"> <li>○ m2 of community asset GIA per resident of development.</li> </ul> </li> </ul> <p>DNV can confirm Clarion's commitment to producing appropriate and transparent reporting on both the allocation and impact of the financing, and that this meets the requirements of the GBPs, SBPs, SBGs, GLPs and the SLPs.</p>