

Clarion Housing Group Sustainable Housing Finance Framework 2024



CLARION
HOUSING GROUP



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This Sustainable Housing Finance Framework sits within the Disclosure & Sustainable Finance focus area of our group sustainability strategy, enabling the achievement of many other targets across the business.



Recovering Nature



Energy & Carbon

Climate Transition Plan



Resources & Materials

Circular Economy Strategy



Biodiversity & Nature

Nature Recovery Strategy



Restoring Social Equality



Social Value

Clarion Futures Strategy



Wellbeing & Placemaking

Neighbourhood Toolkit



Climate Resilience

Climate Transition Plan



Rethinking Business



Disclosure & Sustainable Finance

Sustainable Housing Finance Framework



Equity, Diversity & Inclusion

EDI Plan



Ethics & Procurement

Procurement Strategy



Section 1: Introduction to Clarion Housing Group

1.0 Foreword

Clarion Housing Group Limited ('Clarion') is proud to have been the first housing association in the UK to introduce a Sustainable Housing Finance Framework in 2019. The Framework demonstrated a long-term commitment to our sustainability journey and delivered on the requests from investors to see a clear link between their lending and the delivery of our sustainability ambitions.

Our purpose at Clarion is to make a difference and we do that by delivering significant environmental and social value. Our primary responsibility is to our residents and the communities we serve. It is essential that the transition to a net zero world is just, fair and inclusive, and we must ensure that our investments enable our residents to benefit from that transition.

We are committed to Clarion using its position as the country's leading housing association to drive progress and innovation towards net zero in the sector, and we are pleased to work with a range of parties across government, finance and the private sector to achieve this aim.

No transition will be possible without the finance to support it. We place great value on developing relationships with our banks and investors that will unlock much needed innovation and ideas which enable the funding needed to achieve net zero, while also delivering safe and stable returns.

Our new Framework responds to requests from our investor community for transparency and clarity. It delivers a step change improvement in how we report the use of our sustainable funding and aims to raise the bar again by setting out clearly how funds are allocated and the demonstrable impacts the funding has achieved.

Clarion has a finance team that completely understands the importance and challenge presented by the sustainability agenda, and a sustainability team that is fully engaged in how we are going to fund our transition. We certainly don't have all the answers yet. We know our targets are ambitious and that we'll need support to achieve net zero by 2050, but we are completely aligned and committed to achieving these goals together; strong, secure returns for the investors that put their faith in us, and a just, fair and inclusive transition that delivers for our residents, our people and the planet.



Miles Lewis
Director of
Sustainability



Andrew Hill
Director of
Treasury and
Corporate
Finance

1.1 About Clarion

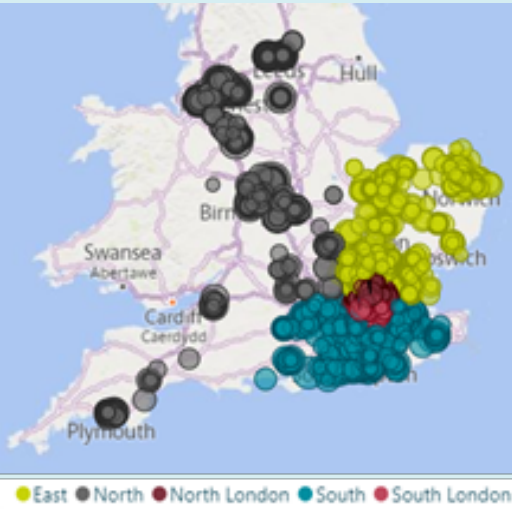
We are the UK's largest housing association, with a portfolio of 125,000 properties and 360,000 residents. We exist to make a difference in our communities and our mission is to provide homes for those who need them most. We know that having a safe, secure and well-maintained home enables people to build better lives, and we believe being a good social landlord is about more than just bricks and mortar. Our residents enjoy subsidised rent and free social support to help them thrive in their communities.

We are a business for social purpose, reinvesting our surplus into building and improving homes and communities for current and future generations.

Our development arm Latimer currently builds around 2,000 energy efficient, affordable homes every year, and we aspire to increase this in future when conditions allow. Clarion Futures, our charitable foundation, runs one of the country's biggest social investment programmes – helping transform the lives of our residents and their communities and generating over £100m in social value every year. This is in addition to the savings our subsidised rents bring to residents and the benefits system – which is more than £500m per year.

National Coverage

Clarion is active and has a presence across the country, with 80,000 homes in London and the South East, 28,000 in East Anglia and the wider East of England, and a further 17,000 homes spread across the South West, Midlands and the North. Our new home building programme is geographically diversified across the country, with the level of demand from households on waiting lists being a country wide concern.



Regeneration of locations is key to what we do, and our Merton regeneration involves a £1.7bn investment in the Eastfields, High Path and Ravensbury areas of Merton. The redevelopment will create 2,800 high quality homes, replacing 1,000 and building 1,800 new ones and the latest round of construction began in Eastfields in January 2024. The regeneration will deliver a range of environmental improvements, including extensive tree planting, district heat networks, renewable technologies, and sustainable urban drainage.



1.2 Our Strategic Roadmap & Values

We seek to deliver for our customers, develop sustainable homes and communities, be an employer of choice and be a sustainable business that makes a positive social impact. We weigh up our long-term financial

stability with the demand for our homes and services, so that we are not spending beyond our means. We strive to strike the right balance between the efforts we make to generate income, through things like building homes for private sale, and our work to help people and communities. You can read more about our purpose in our latest Annual Report available [here](#).

Making a Difference



1

Our customers

Clarion delivers a consistently good quality experience.

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

2

Our homes and communities

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

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

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

3

Our people

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

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

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

4

Our business

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

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

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

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





1.3 Making a Difference – Our 2050 Horizon

At Clarion, we are committed to delivering environmental and social impact throughout everything we do. Our aspirations are to create net zero carbon homes, to enable the recovery of nature, and to do everything we can to eliminate fuel poverty, all whilst generating over £3bn in social value by 2050. In the years between now and then we have a clear, transparent roadmap and targets with further detail available in our latest Making a Difference ESG report available [here](#).



Recovering nature



Energy & Carbon

We need to move towards renewable energy as fast as possible and in doing so reduce our carbon emissions to net zero



Resources & Materials

We need to use less and reuse more within a circular economy



Biodiversity & Nature

We need to implement biodiversity strategies to enhance and protect our natural environment



Restoring social equality



Social Value

We need to eliminate fuel poverty and deliver positive social impact through everything we do



Wellbeing & Placemaking

We need to build and manage places that improve the physical and mental health of our residents



Climate Resilience

We need to ensure our developments and communities are protected from the future risks of climate change



Rethinking business



Disclosure & Sustainable Finance

We need to openly compare ourselves to other businesses and ensure we lead the way in transparent and honest communication of achievements and challenges



Equity, Diversity & Inclusion

We need to celebrate the richness of our diversity and reflect the communities we serve



Ethics & Procurement

We need to uphold the highest standards across every aspect of the business



1.3.1 Recovering Nature

We aim to deliver and manage quality, net zero carbon homes that improve access to nature and are built for the future. The scale of the climate crisis is vast, but we are determined to make a real difference in building a greener future.



Energy and carbon

We have an unequivocal commitment to make a difference to our planet by cutting our own consumption of energy and driving down our carbon emissions across the board. We are committed to becoming a net zero carbon organisation by 2050 and have set interim targets to keep us on track.

Our homes generate the largest proportion of our organisational emissions, so we have a major investment programme underway to boost the energy efficiency of our existing homes, driving progress towards an interim target for all our existing homes to have an Energy Performance Certificate (EPC) rating of C or better by 2030.

Example retrofit measures include replacement boilers, insulation, solar PV, air source heat pumps and upgrading windows and doors. Retrofitting thousands of homes to improve energy efficiency cuts both emissions and the energy bills of our residents whilst resulting in healthier, more climate-resilient homes.

All new homes designed by our development arm Latimer will be fossil fuel-free by 2025, aligning us with the government's Future Homes Standard and we continue to promote renewable energy across our new developments.

We are also continuing to improve the energy efficiency of our workplaces, through the installation of LED lighting, prioritising fossil fuel-free energy systems where possible, embedding EV charging infrastructure and updating our workplace fit-out guidance to further embed sustainability in our facilities moving forward.



Case Study: Graylingwell Park

Graylingwell Park is the country's largest carbon neutral housing development. The 750-home development is a joint venture with Linden Homes. It has a centralised energy centre providing heating and hot water to homes via a network of insulated pipes and embedded other sustainability measures that address movement, landscape, open space, drainage, and ecology, as well as reduction of energy use and renewable energy supply. The project also saw the preservation of 6,222 trees and planting of 1,428 new trees in an open space network incorporating new bus routes, cycle tracks and footpaths.



Resources and Materials

Being more efficient with our resources to deliver the new affordable homes the country desperately needs is a key part of our approach to sustainability. We have set a series of targets in the years to come, to focus our long-term aim of utilising far fewer resources and reusing and recycling materials in line with the principles of a circular economy. These targets include having zero waste going to landfill and procuring 100% responsibly sourced timber. We're working with our supply chain to reduce waste, use less energy and water, and increase recycling and the use of sustainable materials.

Case Study: Circularity at Merton

Our inclusion of pre-demolition audits at Merton is ahead of the curve, with the Greater London Authority only recently introducing an expectation of developers that such checks should form part of a project. A pre-demolition audit of the very first phase of our regeneration of High Path in South Wimbledon in 2018 helped maximise the value of materials recovered from the demolition process and minimise the transportation of waste for offsite processing or disposal. Every phase on the regeneration of the three Merton estates has followed suit.



Biodiversity and Nature

The biodiversity crisis is threatening our planet which we all call home, with many species in decline and some natural spaces at risk of disappearing altogether. We are committed to playing our part to safeguard biodiversity and promote nature positive developments where green spaces are a prominent feature. We also work with our residents to boost biodiversity through simple yet essential initiatives like planting trees and wildflowers.

We are at the start of our journey and have developed a Nature Recovery Strategy for the Group which outlines our approach, aspirations, and targets across both our new and existing places. Our new developments are expected to deliver a 10% Biodiversity Net Gain as a minimum, but we are working to raise this aspiration through promoting the use of green roofs and walls as well as the creation of parks and new habitats and planting new trees. Our Nature Recovery Strategy will take a holistic approach to improve biodiversity across our portfolio whilst delivering additional benefits, including improvements to the physical and mental health of our residents and increased levels of climate resilience. We will look to align our work to the Taskforce for Nature-Related Financial Disclosures in due course.

Case Study: Barne Barton

During the first year of our flagship regeneration schemes, replacing an ageing estate in Barne Barton, Plymouth, with more than 200 affordable homes set amid green spaces, was re-accredited by the Building with Nature (BWN) green infrastructure standard. Work is now underway on the regeneration programme, which will include communal gardens, a central green square and a 'green street' running through the new estate. It will also feature bird boxes, tubes for bats to roost in and routes to enable hedgehogs to move safely between allotments and gardens.



1.3.2 Restoring Social Equality

As a business with a social purpose, we exist to make a difference, in our mission to provide homes for those who need them most. Homes are about more than just bricks and mortar, they are about the people who live in them. We support our residents with everything from finding a job to making ends meet.



Social Value

Through our charitable foundation, Clarion Futures, we generate social value through our work to enhance the lives of our residents and communities and deliver one of the largest anti-poverty programs in the UK. The cost-of-living crisis has become one of the single biggest challenges facing our residents. We are committed in the long term to making fuel poverty a thing of the past for residents and making homes more energy efficient, cutting costs and emissions. We have funded support through provision of warm spaces, community food pantries, budget cooking courses, free heated blankets, duvets and draft excluders for residents in need.

In our supply chain, the delivery of social value is a condition of the agreements we have with our major contractors delivering our planned maintenance work and Latimer development projects. This helps us have even more impact through additional support and activities such as apprenticeships and training for residents and improving community buildings by donating equipment, materials or their time. All our work across Clarion Futures, Latimer and our supply chain will support towards the achievement of our target to generate over £3bn in social value by 2050.

We are developing a 'Green Employment Pathway' to enable our residents to pursue careers in green jobs, creating a virtuous circle which boosts the green supply chain skills we need whilst providing employment and training opportunities for our residents.

Case Study: Working with partners to support residents through the cost-of-living crisis

One example of a warm space we supported was at Beacon Church in Selsey, which saw hundreds of people coming through the door each month in the colder months. The warm space provides access to a community pantry run by UK Harvest, also supported by Clarion Futures, but additionally acts as a meeting point for local people and provides the chance to make new friends and access support and advice. It is estimated that the community pantry hands out approximately 500kg of food that would have otherwise ended up in landfill, feeding more than 100 people. Those attending range from pensioners to young single mothers, all struggling to make ends meet.





Wellbeing and Placemaking

We build to create lasting, healthy places that provide easy access for all and complement the wider environment. The use of architects and urban designers across all our developments means that placemaking is built in from the design stage, in collaboration with local people, to create communities that last. We are focused on ensuring that our residents live in places with good air quality and easy access to nature. We also fund projects that promote physical and mental health in the context of healthy lifestyles and vibrant communities. Examples include sports and arts programmes and community facilities such as play areas, gardens and local centres whilst also offering residents free support with their mental wellbeing.



Case Study: Placemaking at Kirkstall Road

To ensure placemaking and sustainable design was embedded from the outset of the project, one of the first things we undertook following the acquisition of the site was a Vision Workshop. We ran this workshop for a full day, on the site which was attended by the Local Council, Latimer and the Design Team. We used an external facilitator to undertake research of Leeds, the site history and local area. Presenting this back set the scene for open discussion and working groups which was overlaid with Latimer's aspirations for the site, as well as the Council's aspirations. As the scheme developed, we involved the community itself through public meetings and wider local stakeholder engagement. This ensured that environmental, community and economic development considerations were at the heart of the design process for Kirkstall Road, leading to the creation of a diverse and multi-tenure initial phase of 700 homes to engender an active and dynamic new neighbourhood from the outset.

When Clarion purchased the site for development it was apparent that there were rough sleepers in the area. Working with multiple connections, led by Leeds City Council and St Georges Crypt, we undertook to invest in new space to provide short-term accommodation. Ten modular units, comprising nine accommodation pods and one management office, provide safe and secure interim accommodation. The project offers a supportive environment for residents to gain skills and confidence ahead of entering a more permanent setting.



Climate resilience

As an ethical organisation that plans for the long-term and in a time when climate change is fast becoming terrifyingly real in its impact on weather patterns, we are focused on providing homes that will be able to withstand extremes of weather, including more regular heatwaves and flooding events.

In the case of our existing homes, we are undertaking a major retrofit programme to transform their energy efficiency, making them easier to not only heat but keep cool. We are no longer specifying fossil fuel heating systems in any of our new homes. Future developments are being designed to be net zero carbon ready, with renewable energy sources such as solar power and air source heat pumps. Climate resilience is also a key consideration of new development design with detailed risk assessments being undertaken to guard new homes against the risk of overheating and flooding.

Case Study: Keeping our residents cool in summer and warm in winter

Our major programme to retrofit our existing homes saw hundreds of residents benefit from new energy efficiency features such as triple-glazed windows, external wall insulation, centralised mechanical ventilation systems and air source heat pumps. The benefits to residents who took part in this programme through our Social Housing Decarbonisation Fund and Wave 1 phases were particularly apparent through the summer heatwave of 2022.



1.3.3 Rethinking Business

We strive to be an open, trustworthy, and diverse organisation that puts our residents first and acts with honesty, integrity and compassion. We are focused on doing the right thing.

Disclosure and Sustainable Finance

Our Sustainable Housing Finance Framework is a key document which outlines our commitment to this focus area within our sustainability strategy. We want to enable sustainable and green finance flows and ensure best practice disclosure to enable this.

Transparency drives accountability and performance which is why we helped develop the Sustainability Reporting Standard for Social Housing (SRS) in 2020, which has been adopted by more than 100 housing providers and investors, and we have actively supported the consultation for the development of an updated version. Our role as the country's largest housing association provides us with a platform to promote transparency beyond the housing sector. We continually seek to adopt and exemplify best practice in how we report and perform against ESG targets. You can find all the latest information on our sustainability credentials on our website and in our 'Making a Difference ESG Report' available [here](#).



Case Study: NextGeneration Gold Award



Latimer became the top-rated not-for-profit developer in the NextGeneration annual sustainability benchmark of the UK's largest housebuilders in 2022 and maintained this position in 2023.

The 'NextGeneration' initiative, which is the sustainability benchmark for the UK's housebuilding sector, assesses the social, economic and environmental performance of the top 25 developers of new homes. It also sets out best practice and seeks to drive change in the industry. Latimer has been a member of the benchmark since 2021.

The 2023 report shows that as well as being the highest-ranked housing association developer for the year, Latimer increased its overall score by an impressive 11 points. This moved Latimer from a Silver Award in 2022 to Gold in 2023, due to the sustainability strategy which drives the socio-economic development and design standards for its recent projects. The Gold Award recognises our continued commitment to driving sustainability in affordable house building.



Equity, Diversity and Inclusion

We represent the residents and communities with whom we work and are proud to be a diverse and inclusive organisation that strives to offer equality of opportunity for all. Equity, diversity and inclusion (ED&I) is a core focus for Clarion and we are determined to close our gender and ethnicity pay gaps. We are rolling out our People Strategy to understand the drivers behind these figures and improve in the future. We are also redesigning our ED&I training materials and developing our advisory group to promote ED&I while developing a workforce that is diverse in thought, experience and background.

Our inclusive approach extends beyond the 4,000-strong team we have at Clarion to actively involve our residents in the decisions we make that affect them. Continuing to put residents' voices at the forefront, we will explore ways to involve our residents in our work around sustainability, bringing people together to drive real and lasting change.

Case Study: Supporting young people with care experience

In March 2023, we joined organisations including the NHS, John Lewis Partnership, Amazon, Sky and Tesco in signing up to the Care Leaver Covenant, signalling our commitment to providing support to young people with care experience. The programme helps care leavers aged 16-25 to live independently, building on the support statutorily provided by local authorities.



Ethics and Procurement

As an organisation with the interests of people at our heart, we work to ensure that our supply chain aligns with our values and stance on issues such as modern slavery. We have an ethical approach which is aligned with our ethos of a business for social purposes. This approach is reinforced by an extensive and robust framework of policies, procedures and contractual requirements.

Case Study: Creating social value through procurement

Our Social Value in Procurement Policy maximises social value delivered through supply chains, achieving greater economic, social and environmental benefits for the communities in which contracts are delivered. For all procurement of goods and services above £100,000, social value is embedded in the criteria and evaluated alongside price and quality.



1.4 ESG Governance

As most of our targets and aspirations are long term, annual reporting of progress to the Group Executive Team (GET) and Boards is undertaken by the Director of Sustainability. The delivery of many of the targets are the responsibility of certain areas of the business, such as Latimer and the Housing Association, and as such, sustainability progress towards key milestones is reviewed in wider, more regular, strategy sessions.

Annual Reporting

- Board
 - An opportunity to present progress to the Board (Group and Housing Association ('HA') Board) on sustainability progress and areas of focus for the year ahead
- Group Executive Team ('GET')
 - An opportunity to present progress to the Executive Team on sustainability progress and areas of focus for the year ahead

Quarterly Reporting

- Latimer Sustainable Development Steering Group
 - To present sustainability progress against the Sustainable Development Roadmap and to set the future agenda for sustainability in the Development business
- HA Senior Management Team and Clarion 2050 Strategy
 - To present sustainability progress against the sustainability targets within Clarion 2050 and to set the future agenda for sustainability across the HA





1.5 Framework rationale

Our sustainability credentials and track record in delivering new homes have made us a trusted partner of government and business. In 2022, we became the single biggest partner of the Social Housing Decarbonisation Fund. This funding, along with our own investment, will help us to upgrade thousands of homes with measures including cavity wall, loft and external wall insulation, improved ventilation and the installation of air-source heat pumps.

Our credentials have also been reflected by the financial markets, with support from our banks and investors helping us to raise £1.45bn of sustainable finance since 2019, with £950m coming from sustainable bonds issued under our 2019 framework. We continually seek to adopt and exemplify best practice in everything we do and as such we have updated our Sustainable Housing Finance Framework to reflect best practice in a rapidly developing market. This Framework enables our investors to clearly see how their investment in Clarion will be used to achieve our sustainability goals through eligible projects.





1.6 Finance Innovation for Net Zero

Clarion recognises that the achievement of net zero will only be possible if we can deliver retrofit at scale. This delivery has two primary challenges to overcome; the ramping up of capacity in industry and the ability to finance the delivery of assets which are typically not (or are only mildly) income generative for the provider.

The financial solution to achieving the required investment in the UK's social housing stock is not the gearing up of housing association balance sheets; this is an irresponsible approach to the delivery of net zero, potentially putting existing housing assets at risk and not therefore delivering a just transition for residents. We are committed to not simply 'gearing up'.

Clarion's multi-disciplinary Sustainable Finance Group meets regularly to bring together the latest thinking from government, industry, finance and elsewhere on delivering a solution to the funding challenge. Energy as a service and carbon offset revenues may form part of the answer, but ultimately, we believe any long-term solution needs both innovation and government support. We welcome interaction with third parties in this regard and offer an open invite to all stakeholders to discuss and develop innovations with us in this space.





Section 2: Sustainable Housing Finance Framework

The International Capital Markets Association ('ICMA') and the Loan Markets Association ('LMA') provides a set of voluntary guidelines that recommend transparency and disclosure and promote integrity in the development of the sustainable finance market by clarifying the approach for raising sustainable finance. This Sustainable Housing Finance Framework ('Framework') has been established in accordance with the latest market best practice, and is in alignment with the following ICMA and LMA principles:

- ICMA Green Bond Principles 2021 ('GBP') (with June 2022 Appendix I)
- ICMA Social Bond Principles 2023 ('SBP')
- LMA Green Loan Principles 2023 ('GLP')
- LMA Social Loan Principles 2023 ('SLP')
- ICMA Sustainability Bond Guidelines 2021 ('SBG')

This Framework has five core components:

1. Use of proceeds
2. Process for project evaluation and selection
3. Management of proceeds
4. Reporting
5. External review

This Framework enables Clarion to structure a broad range of sustainable debt instruments, including but not limited to, green, social and sustainability bonds and loans.

This Framework may be updated or expanded in line with updated versions of the GBP, SBP, GLP and/or SLP, relevant taxonomies, emerging market standards and best practice. Future updates of this Framework may incorporate additional eligible projects, impact KPIs, or other relevant information as Clarion progress against their sustainability strategy. Any major update will be subject to the review by any qualified SPO provider.

2.1 Use of proceeds












Clarion will use the proceeds raised from financing in alignment with this Framework to invest in environmentally and or socially impactful projects, as defined in the table on the following pages.

An amount equivalent to the net proceeds raised under this Sustainable Housing Finance Framework will be used to finance and/or refinance in whole or in part new or existing Eligible Projects in the categories below, subject to the ICMA and LMA principles. 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 intends to allocate an amount equivalent to the net proceeds raised by any sustainably-labelled debt instrument to Eligible Projects within 24 months of issuance. For Capex or Opex, a look-back period of up to 36 months prior to the time of debt issuance will be applied.

Before each Use of Proceeds instrument is executed, more detail about the Eligible Projects and specific measures will be provided to the relevant stakeholders including details on how the measures will be benchmarked, calculated and externally verified.











2.1.1 Eligibility Criteria

ICMA & LMA Eligible Green Project Category	Project Description and Eligibility Criteria	Financial Line Item	SRS Alignment	EU Taxonomy Mapping	Alignment with Clarion's Sustainability Strategy	Alignment with UN SDGs	Example Green Impact Metrics
Green Buildings	Construction of new homes in the UK with an EPC (Energy Performance Certificate) Rating of B or above	Capex	Climate Change	Climate Mitigation	 Energy and carbon  Resources and materials	 	<ul style="list-style-type: none"> No. 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 For retrofitted homes, % of average space heating demand (kWh/m2) reduced from baseline space heat demand¹
	Refinancing of existing homes – subject to a minimum EPC rating of B or above	Asset value					
Energy Efficiency	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.	Capex Opex	Climate Change	Climate Mitigation	 Energy and carbon  Resources and materials	 	<ul style="list-style-type: none"> 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.) Estimated carbon savings (kg) % GHG emissions reduced vs baseline Number of fossil fuel-free or zero carbon technologies installed
	Installation of fossil fuel-free or zero carbon technologies	Capex					
Renewable Energy	Installation of renewable energy systems e.g. solar panels	Capex	Climate Change	Climate Mitigation	 Energy and carbon	 	<ul style="list-style-type: none"> kW solar PV capacity installed Annual GHG emissions reduced / avoided in tCO2e







1. Average space heat demand measured across Clarion's housing stock.





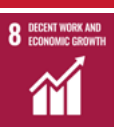





ICMA & LMA Eligible Green Project Category	Project Description and Eligibility Criteria	Financial Line Item	SRS Alignment	EU Taxonomy Mapping	Alignment with Clarion's Sustainability Strategy	Alignment with UN SDGs	Example Green Impact Metrics
Clean Transportation	<p>Expenditure to develop and promote clean transportation access for employees and residents such as:</p> <ul style="list-style-type: none"> • Purchase / leasing of low and zero emission vehicles² • Installation of electric vehicles (EV) charging points • Cycling and active travel infrastructure (e.g. walking routes) 	Capex	Climate Change	Climate Mitigation	 <p>Energy and carbon</p>	 	<ul style="list-style-type: none"> • Number and proportion (%) of fleet made up of low and zero emission vehicles² • Number of EV charging points installed • Number of cycling storage spaces installed • Number and proportion (%) of new homes with 1km walking distance of public transportation (e.g. bus stop / railway station) • % reduction in fleet carbon emissions
Terrestrial and Aquatic Biodiversity	<p>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</p>	Capex	Ecology	Biodiversity	 <p>Biodiversity and nature</p>	 	<ul style="list-style-type: none"> • Proportion of developments completed in the past year where the company achieved a biodiversity net gain of 10% • Proportion of developments completed in the past year where the company achieved a biodiversity net gain of 20% • Number of trees planted • Number of new projects with Building with Nature certifications
Climate change adaptation	<p>Expenditure related to ensuring homes have improved climate resilience including expenditure to protect against flood risk, overheating and improve insulation</p>	Capex	Climate Change	Climate Adaptation	 <p>Climate resilience</p>		<ul style="list-style-type: none"> • Total spend on climate resilience interventions

2. 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 Social Project Category	Project Description and Eligibility Criteria	Financial Line Item	SRS Alignment	Target Population	Alignment with Clarion's Sustainability Strategy	Alignment with UN SDGs	Example Social Impact Metrics
Affordable Housing	Construction, refinancing or renovation of social and affordable housing in the UK as per the UK government regulatory definition	Capex Asset Value	Affordability and Security	People in need of housing 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.	 Wellbeing and placemaking	 	<ul style="list-style-type: none"> • 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 • Share of new lettings with regard to local social housing market need • Ratio of average rent per affordable dwelling vs average market rent
Access to Essential Services	Enhance residents' access to essential services through initiatives implemented by Clarion Futures such as: <ul style="list-style-type: none"> • Money and energy advice • Grants / vouchers for food and energy for households experiencing severe hardship • Initiatives to tackle fuel poverty (e.g. warm spaces, food pantries, heated blankets, budget cooking courses) • Digital skills education • Sports and arts programmes • Mental health support 	Opex	Resident Support	Low-income households	 Social value	 	<ul style="list-style-type: none"> • Number of residents provided with money and energy guidance • Number of fuel poverty initiatives (e.g. number of warm spaces created) • Number of digital skills interventions delivered • Number of sports and arts programmes delivered and number of participants • Improvement in annual resident survey metrics



ICMA & LMA Eligible Social Project Category	Project Description and Eligibility Criteria	Financial Line Item	SRS Alignment	Target Population	Alignment with Clarion's Sustainability Strategy	Alignment with UN SDGs	Example Social Impact Metrics
Employment generation	<p>Expenditure to enable residents access to employment and apprenticeships including training programmes including but not limited to:</p> <ul style="list-style-type: none"> Programmes to enable residents to pursue careers in green jobs 	Capex Opex	Resident Support	Low-income households	 Social value	 	<ul style="list-style-type: none"> Number of people placed into employment / apprenticeships Number of residents placed in green jobs via Clarion's Green Employment Pathway Number of residents participating in relevant training programmes Number of residents with employment as a result of training
Affordable basic infrastructure and services	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 of housing residents	Capex Opex	Resident Support Ecology	Low-income households	 Wellbeing and placemaking  Biodiversity and nature	  	<ul style="list-style-type: none"> m2 of community asset GIA per resident of development



2.2 Process for project evaluation and selection

Projects selected for allocation of a portion of any net proceeds from a Financing will be assessed and evaluated by the Sustainable Finance Group (SFG), which meets at least quarterly. This group is a senior cross-divisional team made up of representatives from various departments including Group Finance and Development, and is jointly chaired on a rotating basis by the Director of Treasury and Corporate Finance and the Sustainability Director.

The group has a high profile within the business, with executive level sponsorship from the Chief Financial Officer, Group Director of Development, and the Chief Property Officer, all of whom attend meetings as required.

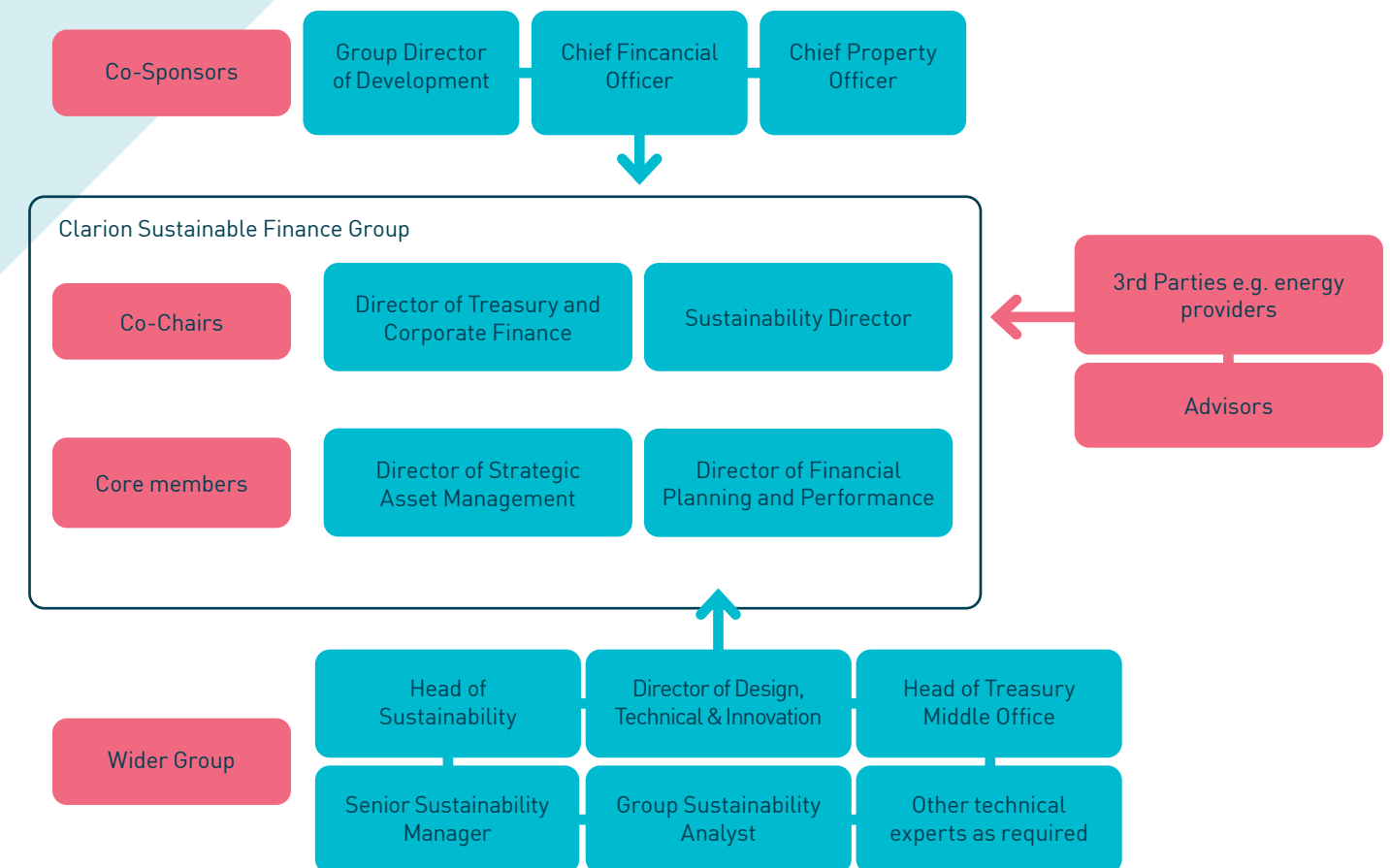
Other relevant stakeholders support the SFG, including subject matter experts from across the business, external third parties with a

potential interest in partnership or knowledge sharing, and advisors with ideas which may support the delivery of Clarion's sustainability strategy. Clarion subject matter experts will also contribute to the allocation process as and when required, but decisions on approval of Eligible Projects are decided by the core members on a majority vote basis. In the event of a tied vote, the Director of Treasury and Corporate Finance consults with all group sponsors before delivering a casting vote.

The Sustainable Finance Group's responsibilities and process for approving allocation of proceeds include:

- Approval of new Eligible Projects and ensuring continued compliance of existing projects with this Framework. Continued compliance risk is managed where appropriate through internal policies and procedures along with specific enquires to relevant functional leads, as detailed below.
- Ensuring approved Eligible Projects contribute to Clarion's wider Sustainability Strategy
- Documentation of the evaluation and selection process to facilitate external verification of allocation of proceeds
- Exclusion of projects or investments that no longer comply with the eligibility criteria (as outlined in section 2.1) or have been disposed of and replacing them on a best-efforts basis³
- Provision of annual allocation and impact reporting as required for debt instruments implemented under this Framework

3. Disposals occur where it makes commercial sense for Clarion to dispose of small property portfolio in certain geographies to the local authority or another housing association with a stronger local presence.



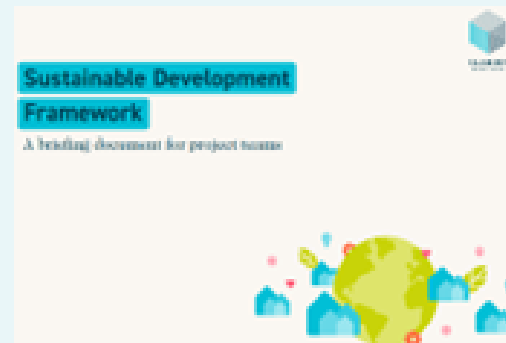
Clarion has policies in place which define minimum standards for business processes and projects, including those financed with proceeds issued under this Framework. The policies are the Code of Conduct Policy, Equality Diversity and Inclusion Policy, Social Value in Procurement Policy, and the Supplier Code of Conduct. These policies cover the company's approach to mitigating environmental, social and governance risks associated with eligible projects, and all directors are required to certify compliance with these policies at least annually. As an example, our Social Value in Procurement Policy maximises social value delivered through supply chains, achieving greater economic, social and environmental benefits for the communities in which contracts are delivered. For all procurement of goods and services above £100,000, social value is embedded in the criteria and evaluated alongside price and quality. In 2022/23 this social value activity by our supply chain delivered an additional £8.4m in direct and in-kind support to our communities.

In relation to wider sustainability matters, the team is also responsible for:

- Regularly reviewing the content of this Framework to update as required for any changes in market standards and / or Clarion's Sustainability Strategy
- Reviewing project category alignment with appropriate national and international sustainability taxonomies and legislation
- Oversight of any environmental and / or social risks associated with Eligible Projects
- Development of mitigants to possible social and /or environmental impacts of Eligible Projects through the implementing or updating of policy, frameworks and procedures or direct intervention where appropriate
- Exploration of, and development of, innovations in sustainable financing.



Responsibility for identifying, mitigating, and managing material risks of negative environmental impacts arising from Eligible Projects lies with the relevant project teams who follow the policies and procedures noted above. A further key control document is our Sustainable Development Framework, which sets out in detail key sustainability principles and standards that all our development teams must use when developing the required Project Sustainability Plans for each development.



2.3 Management of proceeds

Clarion intends to allocate an amount equal to the net proceeds from its sustainable debt instruments to eligible sustainable projects, selected in accordance with the eligibility criteria and project evaluation and selection process presented above. Clarion will determine the amount through its established financial reporting systems which allow for detailed analysis of expenditure and cash receipts. The internal monitoring system will be annually assessed by our auditors in line the ICMA / LMA guidance. We will also maintain a register of Eligible

Projects and the allocation of proceeds to those Eligible Projects. The Sustainable Finance Group will take primary responsibility for managing this process and will assess the management of proceeds at least quarterly.

Clarion will use its best efforts to substitute any Eligible Projects that are no longer eligible, or which have been disposed of as soon as practicable once an appropriate substitution option has been identified.

Pending the allocation of the net proceeds to Eligible Projects, Clarion is permitted to temporarily use any unallocated funds for other transactions in line with its treasury policy. Clarion will ensure that sufficient liquidity is maintained at all times should proceeds be required for an Eligible Project. As noted above, Clarion intends to allocate an amount equivalent to the net proceeds raised under this framework to Eligible Projects within 24 months of issuance.

2.4 Reporting

Clarion will provide Allocation and Impact reporting to the relevant stakeholders on an annual basis via our Making a Difference ESG report, our Annual Report, or a standalone Allocation Report as appropriate, until full allocation of the proceeds, and thereafter in case of any material change to the allocation. This reporting will be made available to the finance providers under this Framework and where appropriate, will also be made publicly available on Clarion's website.

2.4.1 Allocation Reporting

Allocation reporting will include:

- The type of financing instruments used and respective outstanding amounts
- Total amount of proceeds allocated to Eligible Projects, by category for small projects (with examples for context) 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)
- Any further information on how unallocated proceeds have been held.

2.4.2 Impact Reporting

Clarion will share the progress and positive impact delivered with the Framework in its Impact Reporting. The report will include:

- Impact metrics (KPIs), split by eligible project category with example KPIs outlined in the table in Section 2.1.1
- Detailed calculation methodology and key assumptions used
- Description of eligible projects or example case studies

For instruments aligned to the Green and Social Bond Principles, Clarion intends to align the reporting with the portfolio approach described in the ICMA Harmonised Framework for Impact Reporting on a best efforts basis.



2.5 External Review

2.5.1 Second Party Opinion (pre-issuance)

DNV has provided a Second Party Opinion in which it has confirmed the alignment of this Framework with the GBP, SBP, GLP, SLP, and SBG. The Second Party Opinion report is available on **Clarion's website**.

2.5.2 Verification and assurance (post-issuance)

External verification of the allocated and unallocated portions of the net proceeds will be provided by an external auditor along with any allocation reports issued whilst Sustainable Financing Instruments are outstanding. Verification will cover:

- The compliance of assets financed by instruments with eligibility criteria defined in the use of proceeds section in this Framework
- Allocated amounts related to the eligible Green and/or Social projects financed by the Sustainable Financing proceeds
- The management of proceeds and unallocated proceeds amount
- The external verification will be made available to the finance providers under this Framework and where appropriate, will also be made publicly available on **Clarion's website**.





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