

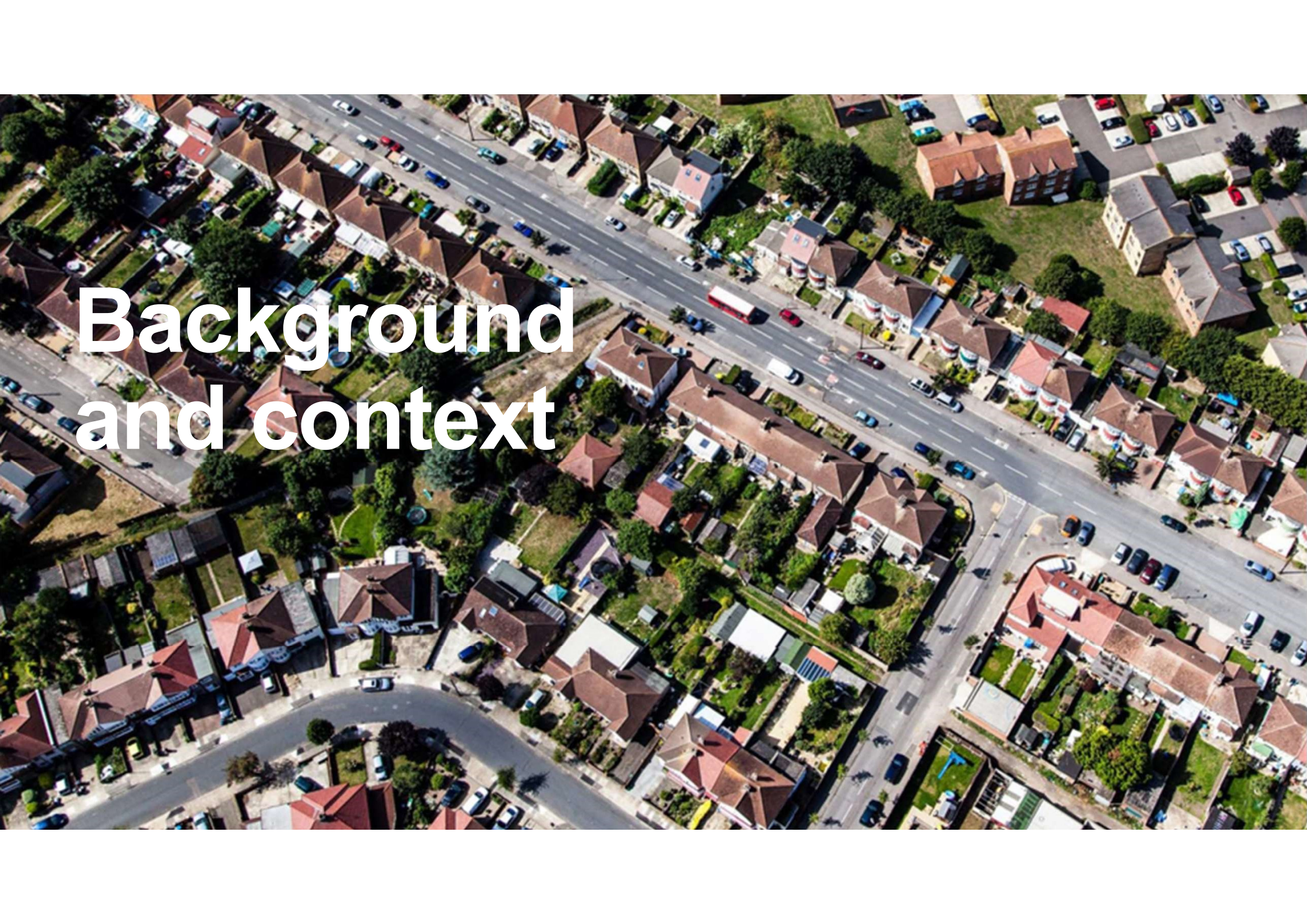


**CLARION**  
HOUSING GROUP

# Achieving the Certified Sustainable Housing Label

21/1/2021  
Will Ray





# Background and context

# Clarion Housing Group

**Largest social landlord** in country with a heritage dating back over 100 years

Providing **good quality & affordable homes** for people priced out of the market

~125,000 homes across more than 170 local authorities

A **developer**, as well as landlord, building 1000s of affordable homes every year

**Investing in our residents & their communities** through Clarion Futures, our charitable foundation



# Housing, UN SDGs & Impact

A safe, secure and sustainable place to live is fundamental to an individual's life chances



## THE GLOBAL GOALS

For Sustainable Development



# Climate change & UK Homes

#2

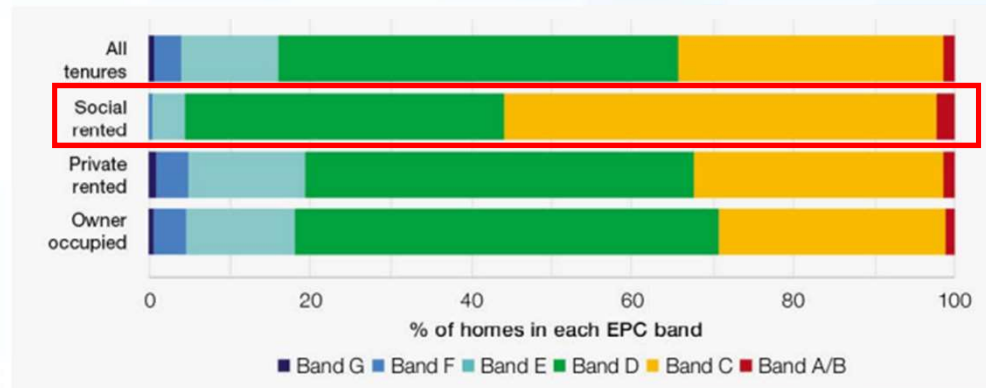
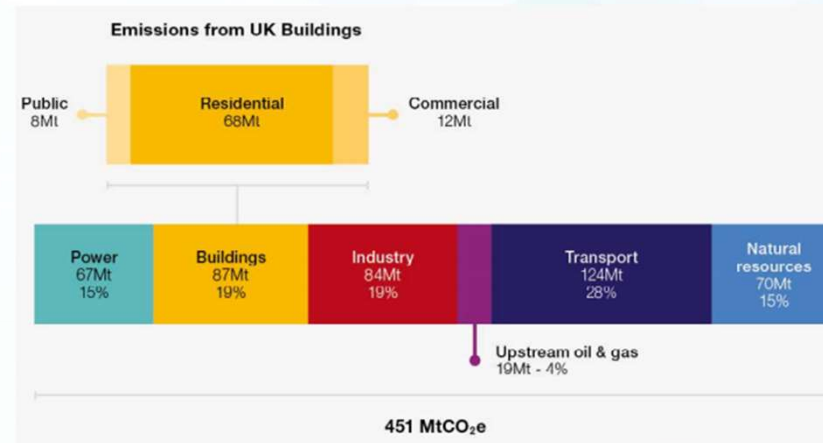
buildings are the second largest source of emissions in the UK

90%

of homes in England currently use fossil fuels for heating, cooking and hot water

66%

of homes are at Energy Performance Certificate D or worse



# Clarion & Sustainability

Clarion is different to a normal business or public sector organisation

## Driven by social purpose

Supported by using our surplus & strong asset base through reinvestment & leveraged finance

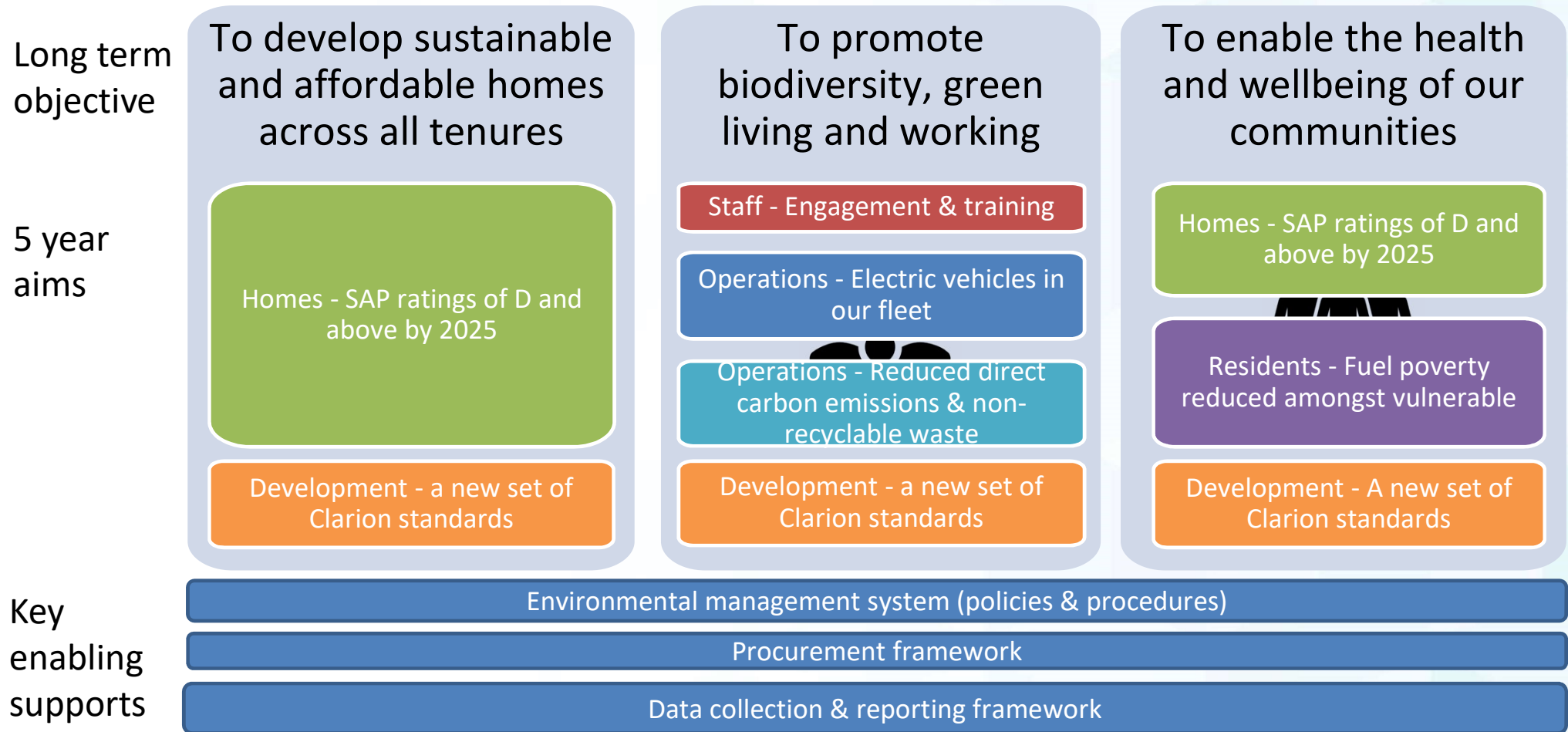
We help residents to develop their future and maximise opportunities available to them

Sustainability is part of our wider commitment, as a responsible business, to behaving ethically and with integrity

Reducing the **environmental footprint** of our homes and business is a key part of this



# Clarion Sustainability Strategy



# Clarion and the changing funding context



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## CONTEXT

- **Large development programme**, funded by a significant amount of debt
- **Growing demand** of fixed income investors for ESG eligible investments, driven by client demand, regulatory changes, internal ethical policies...
- **Limited pool of traditional UK investors**
- **Good story to tell**: significant social impact delivered by the sector and robust Governance being a regulated sector



## ESG

- **Increased liquidity / pool of investors**
  - ✓ Broad attention of European investors in Clarion's £350m 2035 sustainable bond located, including specific ESG investors
- **Pricing benefit?**
  - ✓ Some evidence that ESG/sustainability related funding may provide a premium
  - ✓ Non-ESG issues might be penalised in the future
  - ✓ Sustainability-linked loans offer tangible financial benefits
  - ✓ Rating agencies
- **Various instruments** available
  - ✓ Social bonds, green bonds, sustainability bonds, sustainability-linked bonds, PP and loans, ESG ECP,...

ESG UNDERWAY TO BECOME STANDARD



An aerial photograph of a residential neighborhood. The houses are densely packed, with many green lawns and trees. A road with cars is visible in the lower-left quadrant. The text is overlaid on the right side of the image.

**ESG, Sustainable  
finance and the  
Certified Sustainable  
Housing label**

# Setting up the structure for ESG/sustainable funding



## ● Sustainable Housing Finance Framework

- ✓ Framework that will govern the issuance of sustainable / Social / Green Bonds
- ✓ Based on ICMA green bond, social bond and green loans principles, linking into the UN's SDGs
- ✓ <https://www.clarionhg.com/about/our-principles/sustainability/sustainable-housing-finance-framework/>

## ● ESG accreditation or assurance

- ✓ Clarion adopted the pan-European “Certified Sustainable Housing Label” in November 2019.
- ✓ Third party opinion provider IMUG
- ✓ <http://www.sustainable-housing.eu/>

## ● Reporting

- ✓ Develop reporting structures for metrics within your organisation
- ✓ Set up a medium – dedicated sustainability report, annual report...
- ✓ Reference standards

imug | rating Expert Opinion

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Expert Opinion on the Sustainable Housing Finance Framework of  
**Clarion Housing Group**

imug has been commissioned to provide an independent Expert Opinion on the Sustainable Housing Finance Framework of Clarion Housing Group. This present Expert Opinion is based on our review of the issuer and its Sustainable Housing Finance Framework (dated November 2019) in accordance with the voluntary SBP, GBP and GLP guidelines (June 2018).

**imug is of the opinion that Clarion Housing Group's Sustainable Housing Finance Framework is in line with the four core components of the Social Bond Principles (SBP) and complies in part with the Green Bond Principles (GBP) and Green Loan Principles (GLP).**

**FRAMEWORK**

- ✓ Use of proceeds (SBP: compliant; GBP: partly compliant)
- ✓ Process for project evaluation and selection (SBP and GBP compliant)
- ✓ Management of proceeds (SBP and GBP compliant)
- ✓ Reporting (SBP and GBP compliant)

**ISSUER**

- ✓ Sustainability management
- ✓ Controversy check
- ✓ Certified Sustainable Housing Label

**OPINION**

Clarion Housing Group is an issuer with a positive overall sustainability performance. Its Sustainable Housing Finance Framework, intended to support the issuer's financing activities, was thoroughly analysed and assessed to be appropriate for supporting the general issuance of sustainable debt instruments (bonds and loans). The framework is fully aligned to the SBP, while compliance with market standards such as GBP and GLP is available under specific requirements which the issuer intends to meet. The projects defined in the framework are expected to contribute to five Sustainable Development Goals (UN SDGs), namely Goals 1, 7, 10, 11 and 13.

**RITTERWALD**  
CONSULTING

# Certified Sustainable Housing Label



- Matching Global SDGs: Indicators covered reflect benchmark goals for impact investing
- Pan-European: Benchmarking performance in sustainability against other housing providers
- Market Access: Simplified access for Clarion to Impact Investing market through appropriate proof of sustainability
- Market Access: Simplified & validated access for investors / lenders to a new asset class (affordable housing providers) for sustainable investments / impact investing
- Communication: Highlight sustainability focus and communicate environmental and social commitments towards multiple stakeholders



# Certification process

## LABEL CERTIFICATION PROCESS



## HOW IT WORKS

### Questionnaire

The applicant for the label provides all necessary information in a predefined questionnaire.

### Template Financial Framework

The applicant receives a template which has to be individualized to ensure that it provides a clear impression of the company's sustainability profile.

### Criteria Catalogues

The applicant is reviewed based on two different criteria catalogues (social/ecological).

### Template Internal Handbook

The applicant receives a template for an internal handbook which has to be individualized. In the end, it should explain in detail how the Financial Framework is implemented by the company.

# Issues & Pitfalls

## ● TAXONOMY AND STANDARDS

- ✓ Plethora of reporting standards (GRI, SASB, IIRC,...)
- ✓ Which rating provider will be the standard?
- ✓ Which metrics to report on?

## ● CORPORATE BUY-IN

- ✓ Support from management and board is key
- ✓ ESG is not a treasury / financial / funding initiative, but should involve the whole organisation

## ● OWN YOUR STORY

- ✓ Avoid stakeholders creating your story
- ✓ Transparency & focus
- ✓ Clear policies, strategy & targets
- ✓ Focus on materiality
- ✓ Manage expectations



## ● SECTORAL REPORTING INITIATIVE

- Initiative to standardise the sustainable KPIs across the sector
- Lead by the Good Economy
- Endorsed by multiple other stakeholders, like the Regulator, Homes England, investors, banks, NHF, Impact Investing Institute, Big Society Capital,...
- <https://thegoodeconomy.co.uk/resources/reports/UK-Social-Housing-Building-a-Sector-Standard-Approach-to-ESG-Reporting-May-2020.pdf>

# ESG Report

Environmental, social  
and governance summary  
2020



# Criteria - Social



Reflect both the living conditions of tenants and the resident / community focus of an organisation:

- Provide affordable housing to broad sections of the population & with rent levels below local market average
- Enable active involvement of tenants
- Allocate a significant portion of newly built homes for affordable housing
- Provide socially sustainable places focussed on community development goals
- Provides social activities and support for tenants

# Criteria - Environmental



Address the major challenges of environmental sustainability for social landlords across their homes' lifecycle and throughout their processes.

- Installs renewable / alternative energy sources
- Includes good energy efficiency in new buildings
- Increases tenants' awareness of energy consumption and reduction
- Provides ecologically sustainable surroundings with a special view to community development goals



# Clarion Highlights 19/20



~**£430 million in financial benefit** associated with our below market rents

Completed **2,101 new homes** (86% affordable tenures) and started work on a further 2,572 (83% affordable tenures)

Delivered **£130 million in social value** (HACT model) through Clarion Futures

Jobs and training service supported **3,834 into work**

Supported over **2,300 households** to stay in their homes.

Helped residents gain more than **£500,000 in extra income** and prevented 587 evictions

# Clarion Highlights 19/20

£2M investment in energy efficiency improvements to homes

Piloting new approaches to deep retrofit

Building our new homes at EPC B or above

Switching to zero carbon electricity for all landlord supplies



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An aerial photograph of a residential neighborhood. The houses are densely packed, with a mix of greenery and paved roads. In the lower right quadrant, there is a large, organized community garden with many small plots. The overall scene is bright and sunny, with shadows cast by the trees and buildings.

**Sustainable housing  
as the future of  
UK social housing:  
key insights**

# Realising the benefits of the label

Harnessing impact investment to achieve business goals

A social and environmental standard supplements prudent financial management

Government realises the potential – Green Finance Institute

A catalyst for change



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## Clarion ESG based funding and activity in the last year

- ◆ £350m & £300m sustainable bond issues
- ◆ £200m of sustainability-linked loans, linked to Social KPIs.



# Investors, ESG & setting standards



## The Sustainability Reporting Standard for Social Housing

SRS FINAL REPORT AVAILABLE NOW



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

# Future of ESG

## ◆ Increased regulation & performance scrutinising

## ◆ Future capital requirements for investors

- ✓ Scoring model
- ✓ Multiple shades of green / sustainability
- ✓ Continuously improving benchmarks

## ◆ Reporting

- ✓ Forward looking
- ✓ Concise and focused on material issues
- ✓ Quantitative factors?
- ✓ Better data & Transparency
- ✓ Third party verified

## ◆ Focus on value creation and impact for society

## ◆ Incorporate the major challenge of getting to net zero carbon



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**Thank  
You**



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