

**SUPPLEMENT DATED 6TH JANUARY, 2021 TO THE OFFERING CIRCULAR DATED 31ST MARCH, 2020**



**CLARION FUNDING PLC**

*(Incorporated in England with limited liability under the Companies Act 2006, registered number 10922187)*

**£3,000,000,000**

**Secured Euro Medium Term Note Programme**

This Supplement (the **Supplement**) to the Offering Circular (the **Offering Circular**) dated 31st March, 2020 which comprises a base prospectus for the purposes of the UK Prospectus Regulation constitutes a supplement to the prospectus for the purposes of Article 23 of the UK Prospectus Regulation and is prepared in connection with the £3,000,000,000 Secured Euro Medium Term Note Programme (the **Programme**) established by Clarion Funding plc (the **Issuer**). Terms defined in the Offering Circular have the same meaning when used in this Supplement. When used in this Supplement, **UK Prospectus Regulation** means Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018.

This Supplement is supplemental to, and should be read in conjunction with, the Offering Circular and any other supplements to the Offering Circular issued by the Issuer.

The Issuer accepts responsibility for the information contained in this Supplement. To the best of the knowledge of the Issuer, the information contained in this Supplement is in accordance with the facts and makes no omission likely to affect its import.

Clarion Housing Association Limited (the **Existing Borrower**) accepts responsibility for the information contained in this Supplement under the heading "*Interim Financial Statements as at and for the six month period ended 30th September, 2020*". To the best of the knowledge of the Existing Borrower, the information contained in this Supplement is in accordance with the facts and makes no omission likely to affect its import.

**Purpose of the Supplement**

The purpose of this Supplement is: (a) to update the section of the Offering Circular entitled "*Risk Factors*"; (b) to update the section of the Offering Circular entitled "*Description of the Social Housing Sector in England*"; (c) to update the references to the S&P ratings of the Group Parent and the Programme throughout the Offering Circular; (d) to incorporate by reference the Clarion Housing Group's interim financial statements for the half year ended 30th September, 2020; and (e) to include a new "*Significant or Material Change*" statement.

**1. Risk factors**

1.1 On page 27 of the Offering Circular, the following information shall be inserted as a new risk factor "G" and the subheadings of the risk factors titled "G" through to "N" on pages 27 to 30 (inclusive) of the Offering Circular shall be renamed as "H" through to "O" accordingly:

***"G) Risks related to the outbreak, or threatened outbreak, of any severe communicable diseases***

The outbreak, or threatened outbreak, of any severe communicable disease such as COVID-19 (commonly referred to as coronavirus) (**Covid-19**) may temporarily but adversely affect the business,

results of operations, financial condition or prospects of the Borrowers and, in turn, could impact on each Borrower's cash flow and the ability of each Borrower to satisfy any covenants which it is required to maintain pursuant to the terms of existing and any future financing arrangements, including its obligations under the relevant On-Loan Agreement or the Deed of Guarantee.

Any emergency measures imposed by the UK Government to tackle such a pandemic may affect operations, such as repairs services or compliance safety checks, due to the heightened risk to the health and safety of employees and tenants. The necessary precautions to safeguard its staff and its tenants may lead to increased costs for the Borrowers, although these might be offset by lower repairs services costs.

Furthermore, the outbreak of any severe communicable disease such as Covid-19 may have a severe economic impact on the tenants of the Borrowers which may lead to significantly higher payment arrears. Additionally, the UK Government may impose tenant-protective measures that might affect the Borrowers' cash flows. For example, as a result of Covid-19, as at 6th January, 2021 the UK Government has restricted the conditions under which a property may be repossessed until 31st March, 2021.

The emergency measures may also delay or temporarily halt the development and sale of new homes by the Borrowers. Although this may result in lower than planned capital expenditure and therefore a lower than planned use of cash, the delay in selling completed units could offset this causing an overall negative impact to the Borrowers' cash flows.

To address the potential impact of Covid-19 on its operations, financial condition and the potential impact on their workforce, residents and tenants, the Existing Borrower has taken, and continues to take, preparations and precautions and will continuously monitor the situation to ensure those preparations and precautions are regularly updated as necessary having regard to national scientific and health advice."

- 1.2 On page 29 of the Offering Circular, under the risk factor "*Development and Operational Risk*", the following information shall be inserted as a new fifth paragraph of the risk factor:

"In the wake of the Grenfell tragedy, the UK Government confirmed in April 2020 that it intends to deliver on the recommendations of the Independent Review of Building Regulations and Fire Safety (the **Review**) by establishing a new, national Building Safety Regulator at the heart of a reformed building safety system and that it will legislate for these reforms in new primary legislation through a Building Safety Bill and further secondary legislation where necessary. The implementation of the recommendations of the Review may increase the expenses associated with building and maintaining residential properties which could, in turn, have a material adverse effect on each Borrower's business, results of operations, financial condition and/or prospects and, in turn, its ability to meet its payment obligations on a timely basis under the relevant On-Loan Agreements or the Deed of Guarantee."

- 1.3 On page 30 of the Offering Circular, under the risk factor "*A) Risks related to the Regulation of Social Housing*", the words "Social Housing Green Paper" shall be deleted in its entirety and replaced with the words "Social Housing White Paper".

## 2. **Description of the Social Housing Sector in England**

- 2.1 On page 129 of the Offering Circular, under the heading "*Regulation and the Regulatory Framework*", the second sentence of the fourth paragraph shall be deleted in its entirety and replaced with the following information:

"On 17th November, 2020, the UK Government published a white paper entitled "The charter for social housing residents" (described in more detail below) (the **Social Housing White Paper**) which

considers, amongst other things, possible regulatory changes to strengthen the RSH such as enabling the consumer standards to be enforced in a similar way to the Economic Standards."

- 2.2 On page 130 of the Offering Circular, under the heading "*Shared Ownership*", the following information shall be inserted as new second and third paragraphs:

"On 8th September, 2020, the Secretary of State for Housing, Communities and Local Government announced a new model for shared ownership as it applies in England. The new shared ownership model intends to reduce the minimum initial share a person can buy in a property from 25 per cent. to 10 per cent.; allow people to buy additional shares in their home in 1 per cent. instalments, with heavily reduced fees; and introduce a 10-year period for new shared owners where the landlord will cover the cost of any repairs and maintenance.

A "Right to Shared Ownership" will be introduced and made available on the vast majority of rented homes delivered through the UK Government's Affordable Homes Programme, subject to tenants meeting the required eligibility criteria."

- 2.3 On page 133 of the Offering Circular, the heading "*Social Housing Green Paper*" and the four paragraphs of information relating thereto shall be deleted in its entirety and replaced with the following information:

#### **"Social Housing White Paper**

A new social housing white paper was published on 17th November, 2020 detailing a new charter for social housing residents and setting out the policy measures to be implemented by the UK Government to achieve the seven core principles of the charter which states that every social housing resident should be able to expect:

- to be safe in their home;
- to know how their landlord is performing;
- to have their complaints dealt with promptly and fairly;
- to be treated with respect;
- to have their voice heard by their landlord;
- to have a good quality home and neighbourhood to live in; and
- to be supported to take their first step to ownership.

In support the UK Government also stated that it would work with the RSH to create a strong, proactive consumer regulatory regime, strengthening the formal standards against which landlords are regulated."

### **3. S&P Ratings**

- 3.1 The references to "A" in respect of the S&P rating of the Group Parent on pages 2 and 38 of the Offering Circular shall be deleted and replaced to "A-".

- 3.2 On page 120 of the Offering Circular, the first sentence of the fifth paragraph under the heading "*Principal Activities of the Clarion Housing Group*" shall be deleted in its entirety and replaced with the following:

"The Group Parent was assigned a credit rating of "A3" from Moody's on 10th December, 2019 and "A-" from S&P on 22nd December, 2020."

3.3 The references to "A" in respect of the S&P rating of the Programme on pages 2, 20 and 38 of the Offering Circular shall be deleted and replaced to "A-".

**4. Interim Financial Statements as at and for the six month period ended 30th September, 2020**

On 16th December, 2020 the Clarion Housing Group published its consolidated unaudited interim financial statements for the half year ended 30th September, 2020, available at <https://www.clarionhg.com/media/2144/chg-hy-report-and-accounts-2020-21.pdf>

By virtue of this Supplement, those interim financial statements are incorporated in, and form part of, the Offering Circular including the information set out at the following pages in particular:

Group Statement of Comprehensive Income.....	Page 13
Group Statement of Financial Position.....	Page 14
Group Statement of Cash Flows.....	Page 16
Notes to the Financial Statements.....	Pages 17 to 29
Auditors' Review Report.....	Pages 11 to 12

**General information**

As a result of the publication of the interim financial statements of the Clarion Housing Group and further to the information contained on page 815 of the Offering Circular under the heading "Significant or Material Change" in the section headed "General Information", the third paragraph of such information shall be deemed deleted and replaced with the following paragraph:

"There has been no significant change in the financial performance or financial position of the Existing Borrower or the Group since 30th September, 2020 and there has been no material adverse change in the prospects of the Existing Borrower and its subsidiaries since 31st March, 2020."

To the extent that there is any inconsistency between (a) any statement in this Supplement or any statement incorporated by reference into the Offering Circular by this Supplement and (b) any other statement in or incorporated by reference in the Offering Circular (as previously supplemented), the statements in (a) above will prevail.

Save as disclosed in this Supplement and any supplement to the Offering Circular previously issued, there has been no other significant new factor, material mistake or material inaccuracy relating to information included in the Offering Circular since the publication of the Offering Circular.