

SUPPLEMENT DATED 14TH JANUARY, 2020 TO THE OFFERING CIRCULAR DATED 18TH JULY, 2019



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 18th July, 2019, which comprises a base prospectus for the purposes of Article 5.4 of the Prospectus Directive, constitutes a supplementary prospectus for the purposes of Section 87G of the Financial Services and Markets Act 2000 (the **FSMA**) 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 When used in this Supplement, Prospectus Directive means Directive 2003/71/EC (as amended or superseded), and includes any relevant implementing measure in a relevant Member State of the EEA.

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 (which has taken all reasonable care to ensure that such is the case) the information contained in this Supplement is in accordance with the facts and does not omit anything likely to affect the import of such information.

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, 2019*" and in relation to the changes to members of the Group Board and the Board of the Existing Borrower. To the best of the knowledge of the Existing Borrower (which has taken all reasonable care to ensure that such is the case) such information is in accordance with the facts and does not omit anything likely to affect the import of such information.

Purpose of the Supplement

The purpose of this Supplement is: (a) to update the sections of the Offering Circular entitled "*Risk Factors*", "*Use of Proceeds*" and "*Description of the Clarion Housing Group*" to include additional disclosure in relation to Sustainability Bonds and the Sustainable Housing Finance Framework (each as defined below) of the Clarion Housing Group (the **Clarion Housing Group**); (b) to incorporate by reference the Clarion Housing Group's interim financial statements for the half year ended 30th September, 2019; and (c) to provide an update in relation to the Group Board and the Board of the Existing Borrower.

Risk Factors

A new risk factor is to be inserted at the end of the section of the Offering Circular entitled "*Risk factors – Risks related to Notes generally*" as follows:

"Risks related to Sustainability Bonds

Notes issued as Sustainability Bonds may not meet investor expectations or requirements

The Notes are intended to be sustainability bonds (**Sustainability Bonds**). No assurance is given by the Issuer, the Dealers or any other person that the use of the proceeds of issue of the Notes will satisfy, whether in whole or in part, any present or future investor expectations or requirements as regards any investment criteria or guidelines with which such investor or its investments are required to comply, whether by any present or future applicable law or regulations or by its own by-laws or other governing rules or investment portfolio mandates.

If the use of proceeds of the Notes is a factor in a prospective investor's decision to invest in the Notes, they should consider the disclosure in "*Use of Proceeds*" below and consult with their legal or other advisers before making an investment in the Notes and must determine for themselves the relevance of such information for the purpose of any investment, together with any other investigation such investor deems necessary.

It should be noted that there is currently no clearly agreed definition (legal, regulatory or otherwise) of, nor market consensus as to what constitutes, a "sustainable" or an equivalently-labelled project or as to what precise attributes are required for a particular project to be defined as "sustainable" or such other equivalent label nor can any such assurance be given that such a clear definition or consensus will develop over time. Accordingly, no assurance is or can be given by the Issuer, the Dealers or any other person to investors that any projects or uses of the proceeds will meet any or all investor expectations regarding such "sustainable" or other equivalently-labelled performance objectives or that any adverse sustainable and/or other impacts will not occur during the implementation of any projects or uses of the proceeds. In addition, no assurance can be given by the Issuer, the Dealers or any other person to investors that the Notes will comply with any future standards or requirements for being Sustainability Bonds and, accordingly, the Sustainability Bond status of the Notes could be withdrawn at any time.

Furthermore, there is no contractual obligation to allocate the proceeds of the Notes to finance eligible businesses and projects or to provide annual progress reports as described in "*Description of the Clarion Housing Group*" below. The Issuer's failure to allocate the proceeds of any particular Sustainability Bond to finance an eligible project or to provide annual progress reports, the failure of any of the eligible projects to meet any or all investor expectations regarding such performance objectives, or the failure of an independent external review provider to issue a second party opinion on the allocation of the bond proceeds, will not constitute an Event of Default (as defined in the Trust Deed) or breach of contract with respect to any particular Sustainability Bond and none of the Trustee or the Dealers will have any responsibility for monitoring the application of any such proceeds.

No assurance or representation is given by the Issuer, the Dealers or any other person as to the suitability or reliability for any purpose whatsoever of any opinion or certification of any third party (whether or not solicited by the Issuer) which may be made available in connection with the issue of any Notes. For the avoidance of doubt, any such opinion or certification is not, nor shall it be deemed to be, incorporated in and/or form part of this Offering Circular. Any such opinion or certification is not, nor should it be deemed to be, a recommendation by the Issuer or any other person to buy, sell or hold any such Notes. The Noteholders have no recourse against the Issuer, any of the Dealers or the provider of any such opinion or certification for the contents of any such opinion or certification. Any such opinion or certification is only current as at the date that opinion was initially issued. Prospective investors must determine for themselves the relevance of any such opinion or certification and/or the information contained therein and/or the provider of such opinion or certification for the purpose of any investment in the Notes. Currently, the

providers of such opinions and certifications are not subject to any specific or regulatory or other regime or oversight.

In the event that any such Notes are listed or admitted to trading on any dedicated "sustainable" or other equivalently-labelled segment of any stock exchange or securities market (whether or not regulated), no representation or assurance is given by the Issuer or any other person that such listing or admission satisfies, whether in whole or in part, any present or future investor expectations or requirements as regards any investment criteria or guidelines with which such investor or its investments are required to comply, whether by any present or future applicable law or regulations or by its own by-laws or other governing rules or investment portfolio mandates, in particular in regard with regard to any direct or indirect sustainable impact of any projects or uses, the subject of or related to, any sustainability reports. Furthermore, it should be noted that the criteria for any such listings or admission to trading may vary from one stock exchange or securities market to another. Nor is any representation or assurance given or made by the Issuer, the Dealers or any other person that any such listing or admission to trading will be obtained in respect of any such Notes or, if obtained, that any such listing or admission to trading will be maintained during the life of the Notes.

Any withdrawal of any such opinion or certification or any such opinion or certification attesting that the Issuer is not complying in whole or in part with any matters for which such opinion or certification is opining or certifying on and/or any such Notes no longer being listed or admitted to trading on any stock exchange or securities market as aforesaid may have a material adverse effect on the value of such Notes and also potentially the value of any other Notes and/or result in adverse consequences for certain investors with portfolio mandates to invest in securities to be used for a particular purpose."

Use of Proceeds

A new paragraph is to be inserted at the end of the section of the Offering Circular entitled "*Use of Proceeds*" as follows:

"Notes issued under the Programme are intended to be Sustainability Bonds and the net proceeds from the issue of Notes of each Series will be used for sustainable purposes unless otherwise specified in relation to the particular issue."

Description of the Clarion Housing Group

A new paragraph is to be inserted at the end of the section of the Offering Circular entitled "*Description of the Clarion Housing Group*" as follows:

"The Clarion Housing Group has put in place a sustainable housing finance framework (the **Sustainable Housing Finance Framework**) which aims to improve the Clarion Housing Group's impact on lives, communities and the economy in which it operates. The Sustainable Housing Finance Framework contains four core components:

- (a) Use of proceeds: the Clarion Housing Group allocates proceeds under the Sustainable Housing Finance Framework to specific projects with a sustainable character (project financing) or housing stock classified as eligible for impact investing (company financing). The Clarion Housing Group assesses the composition of its existing assets and liabilities to calculate a sustainable "safety buffer" designed to ensure that capital raised at a company level is only used to finance sustainable assets;
- (b) Process for project evaluation and selection: the Clarion Housing Group has created a Sustainable Housing Team to ensure compliance with the project selection and management process and the project risk management process it has implemented. This team is also responsible for monitoring compliance with the Sustainable Housing Finance Framework and for supervising the usage and development of the sustainable "safety buffer";

- (c) Management of proceeds: a project selection and management process ensures allocation of sustainable net proceeds to suitable sustainable projects (including, without limitation, new-build affordable housing projects and investment in existing qualifying assets such as the core affordable housing portfolio); and
- (d) Reporting: each year, the Clarion Housing Group will publish a financial and impact report on its website detailing the progress made regarding selected indicators for sustainability in the housing industry identified by the external labelling party for the pan-European Certified Sustainable Housing Label. These metrics will be assessed by an external rating agent (providing a second-party opinion) for compliance with that label.

Clarion Housing Group obtained the "Certified Sustainable Housing" label from Ritterwald Consulting BV on 30th October, 2019, and this label was subsequently certified by imug | rating (**imug**), a sustainability rating agency. Furthermore, on 6th December, 2019, imug published its independent opinion of the Sustainable Housing Finance Framework and confirmed that: (i) eligible housing stock (company financing) and project financing fully comply with the International Capital Market Association's (**ICMA**) Social Bond Principles; and (ii) construction projects with high energy efficiency certificates (EPC B or above) fully comply with ICMA's Green Bond Principles."

Interim financial statements as at and for the six month period ended 30th September, 2019

On 20th December, 2019 the Clarion Housing Group published its consolidated unaudited interim financial statements for the half year ended 30th September, 2019. A copy of those interim financial statements has been filed with the Financial Conduct Authority and, 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 30
Auditors' Review Report.....	Page 11

Any other information incorporated by reference that is not included in the cross-reference list above is considered to be additional information to be disclosed to investors rather than information required by the relevant Annexes of the Prospectus Regulation.

Changes to the Group Board and the Board of the Existing Borrower

On pages 120 to 124 of the Offering Circular, the subsection "*Description of the Clarion Housing Group – Group Board*" shall be updated by inserting the information below following the table on page 123 of the Offering Circular:

"On 27th July, 2019, Neil Goulden stepped down from the role of Chair of the Group Board. The Board agreed to appoint David Avery as Chair of the Clarion Housing Group and he was appointed on the 27th July, 2019. As a result, David Avery stepped down from the Existing Borrower, where he was Chair. David Avery was replaced as Chair of the Existing Borrower by David Orr on 27th July, 2019.

On the 26th July, 2019, Brian Stewart stepped down from the Group Board at the end of his nine year term. On 31st July, 2019, Neil Goulden also stepped down from the Group Board at the end of his nine year term.

On 1st November, 2019, Graham Farrant and Amanda Metcalfe were appointed as members of the Group Board and on 16th December, 2019, Gavin Barwell and Tom Smyth were appointed as members of the Group Board."

On pages 126 to 129 of the Offering Circular, the subsection "*Description of the Clarion Housing Group – The Existing Borrower*" shall be updated by inserting the information below following the table on page 129 of the Offering Circular:

"On 27th July, 2019, David Avery stepped down from the Board of the Existing Borrower. The Board agreed to appoint David Orr as a member and as Chair of the Existing Borrower and he was appointed on 27th July, 2019."

General

Copies of all documents incorporated by reference in the Offering Circular can be obtained from the registered office of the Issuer, from the specified office of the Paying Agent for the time being in London and will be available for viewing on the Clarion Housing Group's website at <http://www.clarionhg.com/investor-relations/reports-financial-statements-and-investor-presentations/>.

If documents which are incorporated by reference themselves incorporate any information or other documents therein, either expressly or implicitly, such information or other documents will not form part of this Supplement for the purposes of the Prospectus Directive except where such information or other documents are specifically incorporated by reference or attached to this Supplement.

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, 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 inaccuracy relating to information included in the Offering Circular since the publication of the Offering Circular.