

Stronger Foundations Strategy

2021-26



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Foreword

Our strategy over the next five years continues to be focused on providing as many good quality homes as we can, delivering an excellent customer experience and shaping strong, sustainable places for our communities.

And we'll be doing that at a time of significant challenge and change. Our economy is adapting to recent events, and we need to embrace our responsibilities for improved safety, respond to the challenges of climate change and adapt to a changing policy approach to social housing. We're setting our refreshed strategy at a time when the UK is emerging from a prolonged and unprecedented obligation to 'stay home', a time when many of us have been grateful for the safe haven our home has provided.

We know this is far from a universal experience, and therefore feel it is more relevant than ever to continue in our approach to combine a sound business head with a strong social heart, and maintain our commitment to providing people with a strong foundation for life.



Paul Fiddaman
Group Chief Executive



Sir David Bell KCB DL
Group Board Chair



Summary

Over the next five years we'll continue providing a strong foundation for life, helping people to shape and develop their own future through our three strategic aims of Homes, Customers, and Place. In doing this, we'll follow these principles:

We'll follow a development strategy that enables Karbon to play a significant part in addressing the housing supply issues in our geography, and addresses a broad range of housing needs. Ongoing investment in our existing homes will ensure that they continue to meet the needs of our customers. Our homes will meet all applicable safety requirements and we'll invest to ensure that they also achieve evolving environmental standards.

We'll strive for excellence across our services, which will be locally responsive, easy to access, and personalised where relevant. Our customers' voice will be brought into our decision-making through our governance arrangements, our engagement framework, and through the insight we gain from the data that we hold.

We'll explore deep, place-based interventions in those communities where we have a large concentration of homes and there is significant need, where we are able to have a transformational impact and we have the support of key partners.

We'll pursue new opportunities that will support our strategic objectives and remain open to the possibility of offering new services to existing customers, as well as developing new markets for existing services.

We'll ensure that a culture of inclusion and belonging is embedded in everything we do. We'll maintain the highest standards of governance and manage risk effectively, and we'll invest in our colleagues to ensure they remain engaged and satisfied and develop rewarding careers.

And finally, we'll do this while building a respected brand and maintaining our reputation for sound and sustainable financial management, retaining the confidence of our customers, our investors and our regulators.

Introduction

At Karbon we build, manage and look after homes for people across the North. And then we go further, we give them the strong foundations they need to get on with life.

Since our formation in 2017, we've been focused on delivering our three strategic aims - to provide as many good quality homes as we can; to deliver an excellent service to our customers; and to shape strong, sustainable places for our communities.

Our footprint covers the North of England and Yorkshire, with almost 30,000 homes across diverse communities where customers face differing opportunities and challenges.

Some customers just need an affordable home, or a way onto the property ladder. Others might need a bit more – financial advice, community services, sheltered accommodation or even training that can lead to a new job. Whatever people need to feel more secure, confident and happy with where they're at, we'll aim to provide it.

We always make the effort to really understand our customers. We believe that everyone deserves respect. Everyone's voice should be heard. And everyone deserves someone in their corner now and then. By focusing on our three strategic aims, combining a sound business head with a strong social heart and staying true to our values, we hope to build strong foundations for even more people.

Our region

We cover the North of England, from the most rural parts of England's borderland with Scotland, to the cities and towns of Cumbria, North East England and Yorkshire. Combined Authorities are a feature of the local government landscape in our area, with many recognising the crucial role that housing plays in the growth and prosperity of the communities they serve.

With local government reorganisation, North Yorkshire will see unitary Local Authorities taking full responsibility for housing, planning, adult social care and wider social care, bringing parity with similar counterparts in North East England and the rest of Yorkshire.

Our geography is diverse: like many places across the North of England, some of our communities have been characterised as 'left behind places', as historical decline exposes settlement patterns that evolved to serve employment and industry that has long since passed. Other communities are experiencing an economic resurgence with affordability of housing much more of a challenge than elsewhere.

Unemployment has traditionally been higher in our areas than elsewhere in England, and economic growth weaker. This is reflected in higher numbers of people claiming welfare benefits, supporting both out-of-work and in-work incomes.

The UK has seen a demographic shift with a greater proportion of older people, this is particularly the case in some of our communities. We're seeing those of working age and especially younger people, more willing to move to larger towns and cities to secure employment, and this is skewing the age profile even further.

These trends have shaped our communities over decades and have left a legacy of low-quality housing, a disconnection from the centres of economic opportunity, and lower rental values for many of our homes. This then results in lower land and property values that make delivering a return on homes investment more difficult than in many other parts of England.

About our strategy

This refreshed strategy, our second as Karbon Homes, is being published at a time of significant challenge for housing associations and the UK in general. The Covid-19 pandemic has changed many peoples' lives immeasurably since the Spring of 2020. It will leave a long-term impact on the attitude of many to their home, their community and how they work.

The pandemic has had a huge impact on many sectors of our economy. There has been unprecedented levels of economic investment to meet the many challenges of the pandemic and this will affect our public finances for many years to come.

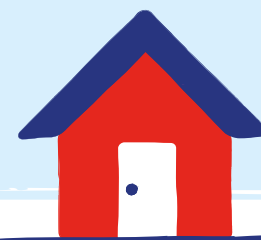
The policy environment in which housing associations like ourselves operate in is also changing significantly. The Charter for Social Housing Residents has set the direction for legislative and regulatory changes that redefine the relationship between landlords and their customers.

It has placed greater emphasis on safety, prioritised listening to and acting on our customers' voices, and set out the role that we are expected to play in supporting customers to own their own home. Alongside this, we are being challenged to do all we can to reduce the carbon footprint of our homes in support of the UK Government's ambition to meet its UN Sustainable Development Goal of Carbon Net Zero by 2050.

Against this backdrop, we remain committed to maintaining our reputation for sound and sustainable financial management, retaining the confidence of our customers, our investors and our regulators. This will be possible by ensuring our values – inspiring, dynamic, bold, reliable and thoughtful – continue to underpin all we do, providing a platform for our people to maintain engaged high performance.

Mission

Provide a strong foundation for life



Homes

Provide as many good quality homes as we can

- Respond to the North's housing crisis
- Build more new homes
- Improve the quality and sustainability of our existing homes



Customer

Deliver an excellent customer service

- Develop meaningful relationships
- Be a brilliant landlord
- Provide great digital choice
- Deliver excellent service



Place

Shape strong, sustainable places for our communities

- Have the most impact
- Work in partnership
- Use the right processes

Enablers of success

- Identify and meet our future challenges
- Grow our business and our reputation
- Embed sound environmental, social and governance practices



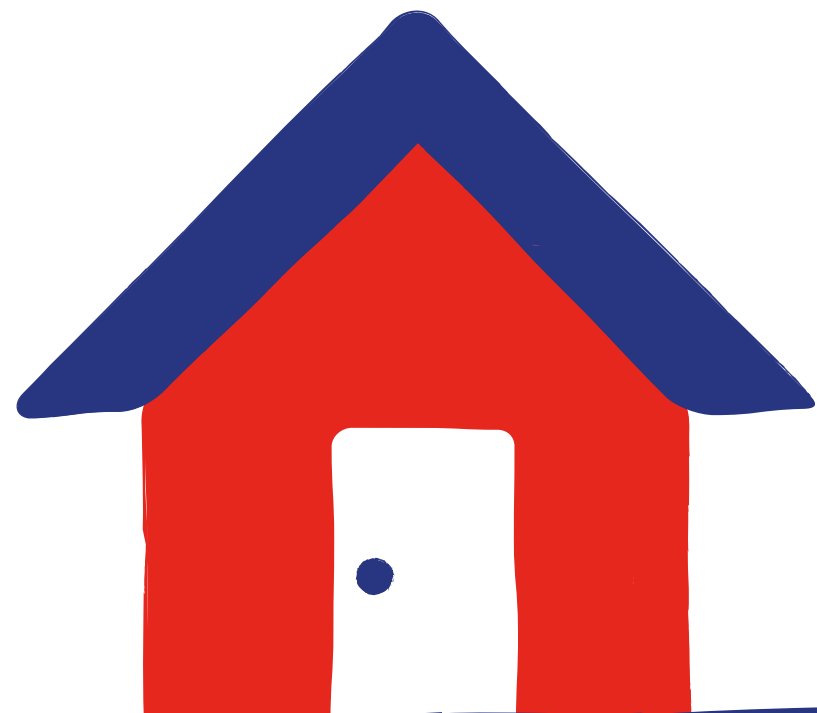
Inspiring

Dynamic

Bold

Reliable

Thoughtful



Homes

Provide as many good quality homes as we can

The UK is in the midst of a housing crisis. Most of the areas we work in lack enough good quality, affordable homes to support our communities and customers to fulfil their potential. We are therefore committed to growing the number of new homes that we own and manage through a programme of development, resulting in around 2% organic growth to the number of affordable homes we own each year. Alongside this, we will significantly invest in our existing homes to meet the decarbonisation challenge and ensure that all of our homes continue to meet or exceed the Decent Homes Standard.

Two metrics will measure our impact in this area: the number of new homes developed, which we will benchmark against similar housing associations, and the number of our homes with energy performance at EPC C level.



Respond to the north's housing crisis

With around 340,000 ¹ new homes required each year to meet demand in England over the next decade, and an average increase of around 172,000 new homes ² per year in the ten years to 2019, there remains a clear need for a significant number of new homes.

This gap between housing growth and demand is making housing less affordable, whether for those renting or those looking to own their own home. That challenge is distinctive in the North of England where settlement patterns, and the types of housing and its density often reflect an industrial past, and fail to meet the needs of those who need homes or the nature of economic growth in our communities now.

The quality, sustainability and cost to maintain these homes often falls short of modern expectations. This is compounded

by demographic changes such as the increase in single-person households and the increasing age of people in our communities. We therefore need homes that are more suited to the needs of individuals, couples and families throughout their lives.

Together these changes see the need for 69,000 new homes each year in the North around 38% of which (26,000) should be affordable homes for rent, and around 4,400, or 6% of the total, should be available for Shared Ownership for those who want to get on the property ladder. ³

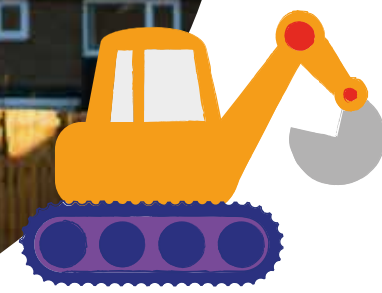
We'll respond to these challenges by building more new homes and investing in, or replacing, our existing homes to ensure they remain fit for purpose and meet demand.

Source:

1. Bramley, G (2019). *Housing supply requirements across Great Britain for low-income households and homeless people: Research for Crisis and the National Housing Federation; Main Technical Report*. Edinburgh: Heriot Watt University

2. Ministry of Housing, Communities and Local Government. *Live tables: Permanent dwellings started and completed, by tenure, England, historical calendar year series*. <https://www.gov.uk/government/statistical-data-sets/live-tables-on-house-building>

3. Bramley, G (2019). *Housing supply requirements across Great Britain for low-income households and homeless people: Research for Crisis and the National Housing Federation; Main Technical Report*. Edinburgh: Heriot Watt University



Build more new homes

Our development strategy will aim to enable Karbon to play a significant part in addressing the housing supply issues in our geography, with a programme that meets a broad range of housing needs.

We'll look to develop at least 600 homes per year across a range of tenures to help address the North's housing challenge. Working with local communities and partner organisations to identify local demand, we will invest in new homes in both rural and urban areas across our footprint.

Our new homes will offer a mix of tenures and provide people with the opportunity to own their first home while ensuring social, affordable and market rented homes are also available to meet the needs of communities across the North. We'll also continue to provide specialised homes for older people or those with additional support needs.

We'll aim to meet ambitious standards in terms of the construction, design and sustainability of our new homes. We aim to use Modern Methods of Construction in around a quarter of our grant funded

new homes. We'll also invest in schemes where these methods are innovative in either the types of homes they are being used to build or in the location of these homes.

We'll meet new design specifications by embedding environmental sustainability from the start and use customer input to ensure their needs are met. We'll take a fabric first approach and our new homes will be built to at least EPC B. Where viable, we'll look to increase this to an EPC A using the best technology that is practically available and affordable at that time. In anticipation of Decent Homes Standard 2 and increased local authority aspirations around space standards, we're also reviewing our house type specification using customer input.

We'll continuously review our new home customer satisfaction target, aiming for top quartile performance and continuous improvement.

Enable first steps on the housing ladder

Given a choice, 87% of British people would rather own their own home than rent⁴. While this is lower among social housing customers (62%), home ownership remains an aspiration for most people.

Around half of our grant funded new homes will provide opportunities for home ownership to help meet some of this demand in our communities. There will be a mix of affordable home ownership products on offer including Rent to Buy and Shared Ownership to complement our homes for outright sale.

Rent to Buy homes help those that find saving for a first home tricky. With a reduced rent for five years, customers have the opportunity to build a deposit for the purchase of their home then choose to either buy their home, in full or through shared ownership, or continue renting. Those moving into home ownership through Shared Ownership have the chance to own a proportion of their home, increasing it incrementally when circumstances allow, while we continue to own the remaining portion of the property.

At least 10% of our new homes will be made available for outright sale for those with the finances or ability to secure a mortgage. All of the profit generated through outright market sales will be reinvested into increasing the number of affordable homes to rent or buy.

Develop new affordable homes to rent

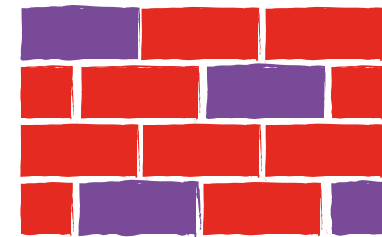
The other half of our grant funded new homes will be affordable rent homes and offered as either Affordable (up to 80% of market rent), Social (c. 55-60% of market rent levels) or Supported homes for customers with additional support needs. We'll work with our communities and local partners, such as local authorities and residential property developers, to identify where we'll invest to develop new affordable homes to rent. Where local demand is unmet by new homes supply and it supports our wider development commitments, a small number of our new homes may be offered at Market Rent.

We'll continue to ensure our homes are affordable by comparing the rent for each new home with comparable properties in the local area, and by taking a comprehensive look across all our homes when rent increases are proposed.

Develop specialist and supported homes

It's really important that we continue to meet the needs of our customers as they evolve. Around 8% of our grant funded affordable homes for rent will offer specialist homes for older people, and 2% of that for specialist supported homes. These new homes will reflect changing design standards and customer expectations. Many developments will also provide mixed tenures, with opportunities for customers to invest in a new home.

For some customers, their needs demand specialised homes or the availability of additional support services. We'll partner with local and specialist organisations to develop a small number of homes that address homelessness, provide a safe haven away from domestic violence, meet the needs of people with mental illness or enable those with more complex needs to live independently.



Source:
4. Ministry of Housing, Communities and Local Government (2019). *Public attitudes to house building Findings from the 2018 British Social Attitudes Survey*. <https://www.gov.uk/government/publications/public-attitudes-to-house-building-findings-from-the-british-social-attitudes-survey-2018>

Improve the quality and sustainability of our existing homes



Ensuring our homes are of good quality is a priority for us and this requires continued investment and proactive management of the homes we already own and manage. In particular, meeting the climate change challenge and the UK's commitment to bring all greenhouse gas emissions to net zero by 2050 will require significant investment and innovation. For us, we estimate an investment of £500 million (around £17k per home) will be required over the next 30 years to meet this challenge. While we expect innovation and economies of scale to reduce the scale of investment, it remains a significant financial and operational challenge.



Invest in our current homes

We're developing a more sophisticated and proactive approach to the understanding and management of our existing homes. This will provide a detailed insight into the economic, environmental and customer experience performance of our homes. This will look not only at individual homes but also consider the context of the neighbourhoods they belong to.

This insight will enable us to take a more proactive approach to the homes we own and manage, and help us make important investment decisions, from improvements and remodelling, to more radical interventions. It may be that some homes have met the end of their effective life and it is not possible or too expensive to make the necessary improvements to meet either customer expectations or our high standards. In these cases, we'll look at ethical disposal, demolition or substantial redevelopment. We'll always ensure that affected customers are involved in these decisions and have the opportunity to shape any changes that affect their home, or their community.

At the heart of any decision is our commitment to ensuring every one of our homes meets at least the Decent Homes Standard and are futureproofed for any changes to this standard in relation to both building safety and environmental performance.



Address the 2050 net zero challenge

Housing accounts for around 14% of all of the UK's greenhouse gas emissions and progress to reduce this has stalled⁵. For individual customers, this means that they could be spending too much on energy costs or finding their home is simply too expensive to maintain at a suitable temperature.

As part of the UK's commitment to end its contribution to global warming by achieving net zero of greenhouse gas emissions by 2050, there is a pressing need to improve the energy performance of our homes. Our initial goal is to ensure that all our homes have an Energy Performance Certificate rating of C (EPC-C) by 2030 and are net zero of carbon emissions by 2050.

This is a significant challenge with around 25% of our homes currently below EPC-C, and 95% below EPC-A.

It will require focus and continued investment for the next 30 years to address this challenge. We expect that there'll be considerable innovation in the technologies available to meet the net zero target, and the potential changes in both the policy environment and the availability of finance to support these investments. We'll monitor this changing landscape closely.

These changes will help to ease rising energy costs significantly for many of our customers, and even reduce the risk of fuel poverty for some. We will involve our customers in our work in this area and ensure that the impact of this investment in our existing homes is clear.



Source:
5. Committee on Climate Change (2019). *UK housing: Fit for the future?*
London: Committee on Climate Change.



Customer

Deliver an excellent customer experience

Whether they're a tenant or a resident, to us they're a customer. And we want to help build better lives for our customers, not just better homes. Everything we do is for their security, health and happiness under their own roofs, in their communities and out there in the wider world.

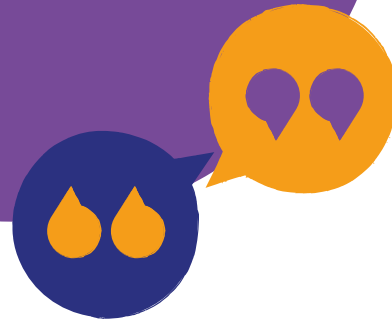


Our customers tell us that their experience of the service they receive from us is of a high standard, but we don't always get it right and there remains much more we can do to be more personalised, offer greater choice and be easier to communicate with. We can only do that if we get the fundamentals right first and deliver the core services expected of a landlord to a consistently high standard.

What makes for excellent customer service is changing and the benchmark for a great customer experience is set by our customers' experiences of retailers, hospitality businesses or health services providers.

We know one size doesn't fit all and that our customers require a service that recognises their individual circumstances and expectations with a more personalised approach. We will measure our impact through the Net Promoter Score, benchmarking our performance against organisations within and beyond our sector.

Develop meaningful relationships



At the heart of our approach is our continued commitment to building meaningful relationships with our customers, ensuring that our customers' voices are heard and have a direct impact on our service delivery. We'll always aim to be transparent in how we operate and increase our visibility and accountability to our customers through a new resident engagement framework.

Customer voice

We already have a number of ways to engage and involve our customers in decision-making and we're looking to extend this further. This will mean listening to and capturing feedback from individual customers and better understanding those groups of customers that share distinctive needs.

We want to ensure that our customers' voices are heard at all levels, including at Board level, and that voice influences decision-making about their home or relationship with us.

At the heart of our approach is our continued commitment to building meaningful relationships with our customers, ensuring that our customers' voices are heard and have a direct impact on our service delivery. We'll always aim to be transparent in how we operate and increase our visibility and accountability to our customers through a new resident engagement framework.

Customer insight

We always make the effort to really understand our customers. Better relationships and improved customer experience are based on quality customer insight. Our insight will be increasingly data-led and help us to personalise and customise our offer. As we design and improve the services we offer, we're keen to understand how individuals and groups of customers want to be involved. We will use individual customer insight and customer segmentation to help us do this, and where appropriate, use this insight to help better meet our customers' needs.

This will allow us to understand customer preferences, identify hidden customer needs and ensure our customer journey can be improved. It will complement the insight we have from customers through our customer satisfaction and perception feedback, complaints and compliments.



Be a brilliant landlord



Our customers have told us there are two areas that matter to them most. Firstly the quality of their home and that repairs are carried out quickly, to a good standard, and are easy to arrange. And secondly, they want to feel safe and secure in their home and in the local community. But we recognise customers have different needs. There are some services that only some customers require such as new customers who are seeking to, or are, moving into a new home, or customers experiencing difficulties paying their rent.

We believe that delivering these services to a consistently high standard and cost effectively, listening to feedback, quickly putting things right and learning when things don't go so well are the fundamentals of a great customer experience.

We can ensure consistent service improvement by involving our customers to help us understand and meet their expectations and measure how we perform against them. We'll also regularly compare our performance to others in our sector.

Finally, we'll revisit our Customer Service Standards to check they reflect the Charter for Social Housing Residents along with what is important to our customers.

Being local

We're a housing association that cares and acts, not a faceless landlord, and that means we must be available to our customers locally, in their neighbourhoods and their homes. Our housing and other frontline teams will continue to be visible in the communities where we have homes. We know that by having stronger relationships with our customers, we have a better understanding and can improve our services as a result.

We'll explore and monitor whether more neighbourhood-level delivery, in those areas where there is a large number of our homes, can improve our customer experience and be more efficient and effective.

A landlord and beyond

Not all of our services are needed by all our customers. We know that supporting some customers beyond our landlord-customer relationship can improve their lives and can go beyond the time they live in a Karbon home. It's the essence of our sound business head and strong social heart.

We'll ensure that all our colleagues and customers know and understand what our service offering is, what is our core role as a landlord, how it can be customised and what additional services we have available to support customers to live well in their home.

So, we'll build awareness and make our services easier to access. We'll be clear on what service level our customers can expect from us and we'll protect this core offer. We'll also continue to support customers living in our homes where we're able to, such as those who need help with their mental health or financial wellbeing.

We recognise that we'll not be able to support all our customers' needs but we'll aim to signpost to other organisations that are better placed to do so, or where there is sufficient need and we are able to secure the appropriate investment, extend our directly delivered services.

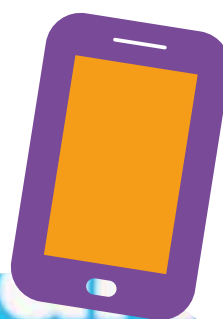
Provide great digital choice

Demand for digital access to information and services is increasing and this reflects wider consumer adoption of digital access to retail, healthcare and other consumer-facing sectors. Increasing our use of digital channels will make it easier for our customers to access our services, and to 'self-serve' if that suits them. The data will provide us with insight that we will use to refine and improve our services, and design our customer journeys to further improve their experience. In many cases, it will help us to be more efficient and to invest those savings in improving our services even further.

Digital access to services will be an increasingly important feature of how our services are delivered. We'll maximise our use of technology to support an improved customer experience that is more flexible, timely and effective. We'll increasingly encourage our customers to view digital channels as the main route to access our services. For many, this is already the norm for online banking, shopping and other public services and has the benefits of being quick, easy to use, secure, and traceable.

We'll ensure digital channels are available to those who want them. This will see us further develop our customer portal as the main way for our customers to access our services easily and quickly. We'll also look to offer more channel choice in how we can communicate with our customers, bringing more interactivity to our current channels or introducing new ones depending on customer feedback.

We'll need to understand more about people who use digital technology and we'll use our customer segmentation to identify those who are most likely to adopt digital services first. We'll maintain other channels and we recognise that person-to-person interaction is still vital, but we'll move faster in providing opportunities for digital interactions so customers have the option to choose the right channel for the right interaction in a way that works for them.



Deliver excellent service

We'll continue to promote a culture that supports an excellent customer experience throughout our organisation. We will enable our people to gain the knowledge, skills and behaviours that support a more personalised service and provide access to the tools that allow them to do so. We'll continue to ensure that our values and behaviours are consistent with customers' expectations. We'll also ensure all colleagues understand what we want our customer experience to be and the consistent Karbon experience which customers should expect from us.

We will maintain relevant policies and procedures to ensure our customers and colleagues remain safe and to meet legal obligations that guide our services, but we will also look to adopt principles of excellent customer service. This will empower our people to flex our service offer and make decisions based on the customer's specific needs, within our capacity and in keeping with our core offer and commitment to value-for-money. When we can't do this, we'll explain why and offer an alternative.

Finally, we'll be guided by the Institute of Customer Service's ServiceMark accreditation and use this as a tool to support continuous development.





Place

Shape strong, sustainable places for our communities

Our mission is to provide people with a strong foundation for life, a foundation from which people can fulfil their potential. In many cases, a good, affordable, home and excellent services are enough to support our customers to do just that. However, we know that in some areas place-based challenges can hold communities and households back. That's why our third aim is to help shape strong sustainable places for our communities.

We know that it's not possible, or even necessary, to play this role everywhere. But we'll look to do deep, place-based interventions in a small number of areas where we have a large concentration of homes, the ability to have a transformational impact, and the support of key local partners where our emphasis will be on improving the economic sustainability of the communities we serve.



We'll measure the impact of our activity by looking at what is referred to as the 'foundational economy' – education, health and social care, utilities and retail, the elements that are crucial for a sustainable future for our communities. We will also look to improve residual household income (RHI) for communities.

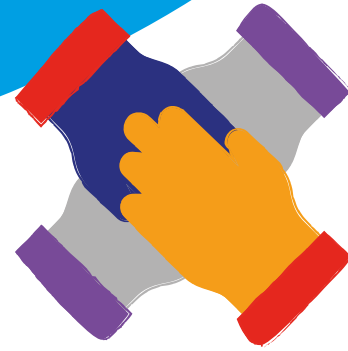
These measures, combined with changes in perceptions around wellbeing, will help us target our resources to the areas where we can have the most impact.

Foundational economy and residual household income (RHI)

Although many areas within our footprint are thriving, other areas face deeper challenges caused by a legacy of de-industrialisation and changing economic geographies. Recently, lots of focus has been placed on tackling the so-called 'left behind places.' This can be a negative term that can create stigma about a community. What it does effectively describe though, is the sense that the traditional economic development approach, which focuses on increasing economic productivity, has failed to 'trickle down' to some areas - leaving them 'left behind' while the financial fortunes of other areas have increased. This has led to what is described as the 'levelling up agenda' which aims for the economic health of trailing areas to start to catch up with the leading areas.

Recently, focus has been placed on what's been termed the 'Foundational Economy'. The Foundational Economy is at the core of everyday life. It's the services such as housing, health and education that support a functioning community, it is also the infrastructure on which a place depends – things such as utilities, transport and communication networks – as well as core retail services such as banking and food.

This Foundational Economy is important because it represents those things, goods and services which make a place more 'liveable'. It also helps to recognise the economic contribution that these sectors can have on a place as well as the importance of a decent level of 'residual household income' (the amount of money a household has to spend after taxes, housing, transport and utilities costs) to the wellbeing of those living in an area. Improving household incomes addresses poverty and ensures continued and increasing spend in the local economy.



Have the most impact

We'll spend the most time in those communities and neighbourhoods where we have the greatest number of homes and that have the biggest need. Some of these communities will be towns where we are known as an anchor institution – one of those vital anchors alongside local government, other service providers and significant employers that can make a major impact. An example is Stanley in County Durham where we have conducted research to support our thinking in this area.

We may also consider villages or neighbourhoods where our homes form a large proportion of those in that community. We'll use data around employment, people and infrastructure to understand need and we'll work with the local communities to understand the impact we're able to make.

During the lifetime of this strategy, we expect to only be able to work in this way in a small number of places, perhaps one or two each year. It's therefore vital that our engagement addresses genuine need and has the potential to deliver a tangible impact.

Work in partnership

We won't work in these communities on our own. Effective placeshaping really needs the drive and engagement of the local community. It's vital that there is the support and engagement of the local community who recognise a genuine need for this place-based approach in their area and want to see positive change.

We'll work in partnership with local organisations, such as local government, health, education and community organisations, that can have the greatest impact. We'll need a sophisticated understanding of what other agencies, including local authorities, are currently doing in a community so we know when it makes sense to support them rather than assume a leading role ourselves. Only rarely and where others can't, will we act alone.

At first, our activity may be limited to building the awareness and ability amongst the local community to help them embrace a place-based approach. This will include activities such as establishing key networks or developing insight to fully understand their community's needs and opportunities.

Use the right processes

We have a sound business head and strong social heart and in this context, that means delivering activity that improves the sustainability of the Foundational Economy in our communities. All activity will be focused on areas where we have a legitimate remit to act and where we are likely to have the greatest impact on strengthening the Foundational Economy and increasing residual household income. Examples could include supporting local businesses to better access our procurement opportunities, improving homes to reduce energy costs or targeting apprenticeship opportunities towards our customers.

In some cases, a community will require an element of physical regeneration to support its continued sustainability. We'll look to generate funding for physical regeneration that supports wider community development and wellbeing, most likely in partnership with local authorities or developers. For example, this could include identifying under-used assets, such as garage blocks, or properties that are no longer fit-for-purpose, and redeveloping them as part of a wider scheme. It is important to link this to our asset management activity to ensure that where we invest, it supports the role we can deliver as an anchor institution.

Finally, we recognise the impact our business activities can have on the success of these places. Therefore we will pay colleagues at least the living wage and look to promote employment opportunities, particularly apprenticeships and other routes to employment, to our customers. We will follow principles of social value in how we procure goods and services, and we'll use our economic influence to support small businesses and local supply chains, recognising the role that we can play in supporting local economies.

We'll need to do some detailed evaluation of some of our target places to understand what resources will be required to deliver the interventions we have identified.



Enablers of success

We want to continuously improve how we operate. To enable our success we will look to:

- Identify and meet our future challenges
- Grow our business and our reputation
- Embed sound environmental, social and governance practices

These elements will guide all that we do and provide us with the strength, capacity and capabilities to meet our strategic aims and ensure that we strike the right balance between our sound business head and strong social heart.



Identify and meet our future challenges

Ensure our people can reach their full potential

Our ambition for our people is a culture and approach of engaged high performance. We'll do this through these strands of activity:

- Delivering high performance: embedding a positive performance culture where everyone understands the role they play in the delivery of our strategic aims.
- Attracting talent: enhancing our reputation as a great employer and attracting talented people who have great technical capability combined with a sound business head and strong social heart.
- Supporting our people: ensuring our people can enjoy a good work-life balance, feel equipped to navigate their way through different personal and work transitions, and are well informed about health and wellbeing issues.
- Involving our people: having trusted, open channels of communication that allow two way feedback and promote helpful and honest conversations.
- Developing and retaining our people: an approach to learning and development that helps our people keep their skills and knowledge up-to-date and constantly building expert knowledge.

Embrace new ways of working

In tandem with our approach to engaged high performance, we'll adopt new ways of working that are more agile and flexible, that allow our people to balance their unique work and personal responsibilities, alongside customers' expectations, while working collaboratively as one team. Our working model will allow our people to work anywhere, at any time, to continue meeting the needs and expectations of their customers and other colleagues. It will involve a reconfiguration of offices into collaborative hubs, and also see the creation of some hubs closer to our communities.

Improve our operations through powerful performance insight

We'll continue to build on our evidence-led approach to decision-making by improving and extending our use of data and analytics. We'll do this by placing increasing emphasis on data as a trusted asset. We'll use this valuable data to enable all colleagues to make data-informed decisions that support business transformation or enable improvements in performance, efficiencies or customer experience.

Increase efficiency and effectiveness through innovation

We'll develop a culture that encourages all colleagues to experiment and innovate to improve services and performance. Our innovation will be customer and problem led and guided by our performance, using data and insights to experiment, adapt and develop impactful solutions.

Invest in technology that enhances our performance

Our approach to technology investment will allow us to apply changes in technology quickly to support our colleagues and customers, while avoiding the risk associated with being trailblazers in this space. We'll make significant technology investments in devices, applications and analytics to improve customer experience and provide greater digital choice for our customers.



Grow our business and our reputation

Effective financial management in partnership with our investors

We'll continue to ensure we get value for money in our activities through regular benchmarking with our peers, while also presenting a strong financial position to funders and regulators. To do this we'll ensure that our 30-year financial model adequately supports our ambitions but also provides sufficient headroom to be resilient to potential shocks.

Identify new opportunities to build our capacity

Creating efficiencies through growth or developing stronger revenue streams will offer additional financial capacity to deliver our strategy. The number of homes we own and manage will continue to grow as we deliver our programme of new homes development and acquisition. We'll only consider opportunities to grow where we're able to maintain a locally responsive service for our customers. This may see us consolidate our existing footprint, extend into neighbouring areas or explore growth further afield where there is a compelling business case to do so.



Extend our services to new partners

We're proud of the relationships we have developed with our partners which has delivered cost-effective and high-quality housing management services in a range of different ways. We'll continue to explore opportunities to work with new partners that share our values and ambitions.

Maintain a respected brand and reputation

We'll continue to invest in our brand so that our colleagues, customers and stakeholders are clear who we are, what we do and what we stand for. We'll develop a distinctive brand personality and point of difference, showcasing best practice so that we are seen as a thought leader in our sector. A respected brand and reputation will help us attract new talent into our workforce and new customers and partners, and our growing profile and influence will enable us to champion positive change for our customers and communities.

Embed sound environmental, social and governance practices

Meet the environmental sustainability challenge

As a minimum, our response to climate change will reflect our legislative and compliance responsibilities. But we don't want to stop there, we'll look to set more ambitious goals against the backdrop of fast-evolving policy and legislative requirements. We will proactively respond to the decarbonisation challenge in relation to our existing homes, continuously reviewing opportunities that arise and working in partnership with others to trial new and cost-effective approaches to retrofit. We'll also take account of wider negative environmental impacts to ensure these are reduced and removed as much as possible.

A culture of inclusion and belonging

We want our people, our customers and our partners to feel a sense of inclusion and belonging in all their interactions with Karbon. We'll look to develop networks with those who share our commitment to reduce inequalities. This includes influencing and promoting improvement in our sector, and in the wider communities we work with.

Through our values and behaviours, we'll create an inclusive culture and an environment that makes sure we can learn, feel supported, thrive and belong. And we will seek to ensure our workforce, customer representative groups and our governance structures reflect the communities we work with too. We'll look to strengthen our people and customer data and insights to inform our priorities and decisions.

Ensure the health and safety of our customers, colleagues and partners

Our commitment to the safety of our customers in their homes will continue to be at the heart of what we do. New regulatory standards, such as the Future Homes Standard and revised Decent Homes Standard, will set the legislative context for our work. We'll go beyond simply being 'compliant' by

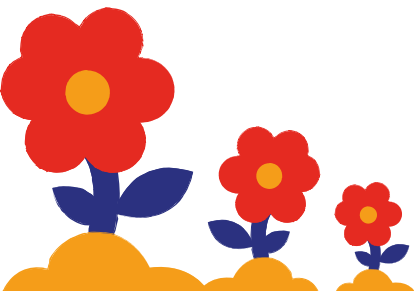
improving the standards of safety in our buildings, developing a safety culture across our organisation and enhancing the engagement and communication with our customers on safety issues. For our colleagues and those who work with us, we'll invest in training, technology to support lone-workers and promote a culture of vigilance towards health and safety.

Maintain governance best practice

We're a custodian of significant resources provided through public funds and as a result of our charitable purpose and therefore recognise the unique role we play in our customers lives. We'll continue to maintain the highest standards of governance in keeping with these responsibilities. Our governance model will evolve as we adopt the revised code of governance for housing associations and ensure that the views and needs of our customers play a greater role in our strategic decision-making.

Develop our resilience and effectively manage risks

We'll maintain a proactive approach to identifying and managing risk, ensuring that our Board has clear oversight of risk and is able to comprehensively test the impact of potential risk scenarios on the organisation. Our risk management framework clearly sets out our risk appetite and how it links to our key risk areas. We'll ensure we have the necessary assurance that risks are being identified and reviewed on a continuous basis and are being managed effectively. We'll also ensure that we have resilience and continuity plans in place and that these are tested regularly.



Achieving our goals

We'll measure our success in delivering this strategy through a performance management approach with three key strands:

- A small number of Headline Key Performance Indicators (KPIs) that address the nine key drivers of our strategy
- Developing a performance reporting framework that carries the golden thread of our strategic aims through our operational metrics
- Benchmarking ourselves against others in our sector, and where appropriate, those in other sectors.

Headline Key Performance Indicators

The basket of Headline KPIs ensure we retain our purpose to provide a strong foundation for life, achieve a balance between sound business head and strong social heart, and maintain a culture and approach of engaged high performance.

Performance Reporting Framework

Collectively these indicators form a balanced scorecard that reflect our strategic aims and the enablers that allow us to meet our ambition. They cannot reflect the broader dynamics of our business and these KPIs are supported by a wider portfolio of performance measures that reflect our operational effectiveness and impact.

Where appropriate, we will establish three-year targets for these measures so that we can maintain clarity on our performance journey and identify where more focus is required.

We will be increasingly transparent with how we share our performance. This will include updates on how our customer-facing operations are performing, building upon the quarterly publication of our customer service standards, and our annual environmental, social and governance report that will set out how we are performing against the sustainability reporting standard.

Benchmarking our performance

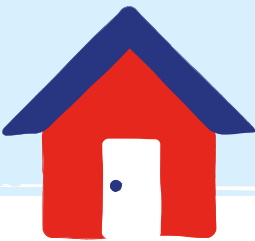
We'll set our performance in context by comparing how we are doing with others, both within the housing sector and in other sectors. Benchmarking ourselves with our peers, through a collaboration such as HouseMark, will enable us to better understand which areas of our business meet our ambition for top-quartile performance and where we have more work to do.

Our engagement with other sectors, such as with the Institute of Customer Service, will provide us with a breadth of insight on the changing nature of consumer preferences and to what extent we are meeting them.

And increasingly, we'll have the opportunity to compare our performance at a neighbourhood level, allowing us to identify the impact of our placeshaping activity and the factors that shape our effectiveness in specific communities.



Our key performance indicators



Homes



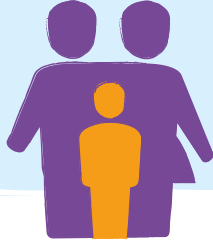
Development:
Number of new homes built



Decarbonisation:
Percentage of homes rated at EPC-C or above



Enablers



Customer



Customer experience:
Net Promoter Score



Safety:
Percentage of health and safety compliance



Homes occupied:
Percentage of all homes available that are let



Colleague engagement:
Employee Net Promoter Score



Value for money:
Social housing cost per unit (£)



Place



Neighbourhood satisfaction:
Percentage of customer satisfaction with their neighbourhood as a place to live



Financial capacity:
Operating Margin



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Karbon Homes is a charitable registered society under the Co-operative and Community Benefit Societies Act 2014.
Registration No.7529