

MODERN SLAVERY AND HUMAN TRAFFICKING STATEMENT

For the financial year ended 31 August 2018

Introductory Statement from the Chief Executive Officer

This is McCarthy & Stone Retirement Lifestyles Limited's third Modern Slavery Statement published in response to the Modern Slavery Act 2015 (the "Act"). Modern Slavery and human trafficking can take various forms including slavery, servitude, forced and compulsory labour, all of which have in common the deprivation of a person's liberty for personal or commercial gain. We maintain a zero-tolerance approach to these practices and we remain committed to acting ethically, transparently and with high integrity in all our business dealings and relationships.

We expect the same high standards from all of our contractors, suppliers and other business associates and we expect them to hold the businesses within their own supply chains to the same high standards.

About McCarthy & Stone and its Business

McCarthy & Stone (*we, us, our* or *Group*) means all companies within the McCarthy & Stone Group. McCarthy & Stone plc is our parent company and is a FTSE250 company, listed on the London Stock Exchange. Further information about the Group can be found at - <https://www.mccarthyandstone.co.uk/about-us/companies-information/>. Please also refer to our website for details of our Corporate Social Responsibility and Sustainability Policy and other related policies and practices.

We are the UK's leading developer and manager of retirement communities, with over 40 years' experience in creating retirement communities which enrich our customers' quality of life. Our Head Office is located in Bournemouth and we operate from eight regional offices. We acquire land for development, secure detailed planning consent and then design, construct, market and manage high-quality retirement housing to suit all lifestyles and stages of retirement. We also provide personal care and support and other services within our retirement communities as well as estate agency services. All of our developments and services are based within the United Kingdom.

As at 31 August 2018, we employed c. 2,500 people and our revenue for the financial year ended on that date was £671.6m.

Our Supply Chain

It is widely acknowledged that the construction industry is a high risk sector for modern slavery and human trafficking, largely due to the demographics of the temporary labour workforce and complex supply chains.

We aim to ensure that we only work with credible suppliers and contractors so as to limit the potential risk of slavery or human trafficking in our business and supply chain.

We operate a centralised Procurement Team that procures approximately 80% of our house building materials through 65 framework agreements. Our eight regions locally source the remaining 20% of materials. 65% of our procured materials and components are assembled and/or manufactured in the UK, with 26% from Europe and less than 9% from the rest of the world.

Our Procurement Team continues to operate a comprehensive supplier on-boarding process which is designed to increase the quality of due diligence and compliance checks. The process ensures that no new supplier or subcontractor may deliver products, undertake works or provide any service to the Group until they have confirmed that:

- they would be happy to provide us with reasonable access to their office or a selected site and records for inspection and audit;
- they are committed to ensuring that there is no modern slavery or human trafficking in their supply chains or business; and
- they have in place adequate systems to identify, assess, monitor and mitigate potential risk areas in their business and supply chains and to protect whistle blowers.

Our pre-qualification process requires all subcontractors to be registered with a Safety Schemes in Procurement (SSIP) member, which requires compliance with modern slavery, equality, anti-bribery and health & safety legislation.

In the forthcoming financial year we are intending to implement measures within our procurement processes whereby the compliance with the above principals can be monitored and enforced.

Employment and Recruitment Practices

As at 31 August 2018 our Group's workforce consisted of c. 2,500 directly employed workers, as well as approximately 15 temporary off-site workers/consultants, c. 375 temporary site-based workers and c. 500 self-employed and subcontractor workers.

It is estimated that 11% of our skilled labour workforce is non-UK and that 15% of our unskilled labour workforce is non-UK labour.

We pay all of our directly employed workers at least the statutory UK National Minimum Wage or the UK National Living Wage (as applicable to the age of the worker).

We take steps to ensure that all our workers are eligible to work in the UK, either as part of our own recruitment process for directly employed workers or via our agency suppliers' processes. We also carry out DBS (Disclosure and Barring Service) checks and PVG (Protecting Vulnerable Groups) checks where statutorily required.

Temporary Workforce

Our temporary site-based workforce is particularly vulnerable to the risk of modern slavery. We continue to be proactive in mitigating this risk by outsourcing the recruitment process of this workforce through a reputable third party company. All agency suppliers are required to agree to comply with the Act and to give various assurances that their personnel and temporary workers are not victims of slavery or trafficking. Agency suppliers are also required to complete an annual questionnaire relating to obligations under the Act so that any inadequacies can be identified and addressed.

To further strengthen the assurances detailed above, we require the outsourcing partner to undertake audits on our labour suppliers to ensure that they also comply with the Act and pay our workers no less than the statutory UK National Minimum Wage or the UK National Living Wage (as applicable to the age of the worker) and that these pay rates are not reduced by the treatment of travel and/or subsistence expenses. These audits may take the form of an on-site or remote review of the records held by each labour supplier, including sight of workers' payslips, right to work documents and terms of engagement.

Adherence to McCarthy & Stone's values and policies

We expect our employees (whether permanent, fixed-term or temporary), directors, casual and seconded staff, consultants, suppliers and subcontractors to share our own ethics and values by complying with our Anti-Slavery and Human Trafficking Policy, Money Laundering and Terrorist Financing Prevention Policy, and our Anti-Bribery and Corruption and Fraud Policy. We require suppliers and subcontractors to agree to representations and warranties contained in our standard Terms and Conditions, Subcontract Agreements and Framework Agreements relating to the prevention and detection of modern slavery and human trafficking. In addition, we require them to implement due diligence procedures within their own supply chains.

Whistleblowing

In order to detect, report and ultimately prevent modern slavery in any part of our business or supply chain we must encourage those working with, or for us, to raise any concerns or suspicions at the earliest possible stage and without fear of detrimental treatment. To achieve this, employees as well as new suppliers/subcontractors are given guidance on our Whistleblowing Procedure and have access to an external and anonymous 'whistleblowing hotline'.

Grievances or Complaints Received

There were no grievances or complaints related to modern slavery or human trafficking during the financial year end 31 August 2018.

Training and Awareness

We have introduced an eLearning module "*What is Modern Slavery?*" which is mandatory for all existing and future employees, consultants and temporary non-site based workers of the Group. We believe that by completing this training employees will gain a wider knowledge of modern slavery and human trafficking and enable them to recognise potential areas of risk within the workplace. We will also be introducing an eLearning module tailored for key employees designed to provide a deeper understanding of modern slavery and human trafficking. Completion of the eLearning modules will be measured as a KPI within the forthcoming financial year.

Future Steps

We aim to align our policies and procedures on modern slavery and human trafficking with best practice and changes in legislation. To that end, we aim to take the following steps during the financial year ending 31 October 2019:

Training – Supply Chain

We aim to introduce training specifically for those employees who have the ability within their job role to identify modern slavery within our supply chain.

Awareness

In order to increase awareness across our business, we will publish articles on modern slavery within staff and homeowner publications.

Site Labour

We recognise that victims of modern slavery within the construction and domestic services sector are often EU migrant workers. An analysis of our temporary labour workforce is being undertaken in light of the potential impact of Brexit. This will also give us the ability to greater assess the potential risk on modern slavery and take proactive action.

Key Performance Indicators

Our KPIs will develop over time and our initial key measures are:

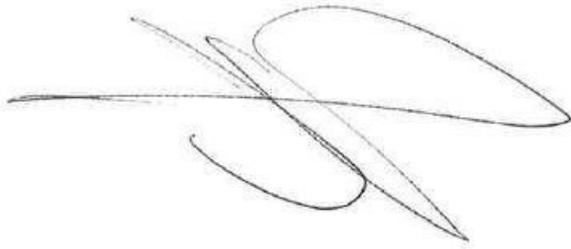
- Measuring the completion rate of training modules.

- Measuring the number of suppliers and contractors who have received a copy of our modern slavery policy, grievances/complaints received and risk assessments undertaken.

Policies

We review our Anti-Slavery and Human Trafficking Policy and other related policies on annual basis.

This statement is made pursuant to section 54(1) of the Modern Slavery Act 2015 and constitutes our Slavery and Human Trafficking Statement for the financial year ended 31 August 2018. This statement will be reviewed and published annually.

A handwritten signature in black ink, consisting of several overlapping loops and a long horizontal stroke extending to the left.

John Tonkiss
Chief Executive Officer