

# Corporate Social Responsibility



**A responsible housebuilder**



**We are committed to delivering social and environmental benefits**

## Our approach – enriching lives

As the UK's leading retirement housebuilder, our driving ambition across our business is to enrich the lives of our homeowners and employees. We aim to deliver this by:

- Engaging positively with the local communities in which our developments are built
- Building safe and vibrant developments to help older people lead healthy independent lives
- Providing high-quality management services for our homeowners
- Minimising the environmental impact of our activities
- Building a culture of excellence in health and safety across all our business activities
- Creating a great place to work which is both safe and inspiring for our employees

Our Corporate Social Responsibility (CSR) Committee was formed in 2015. The Committee, which meets quarterly, is chaired by our Land and Planning Director and reports directly to the executive leadership team.

## Our priorities for FY16 and FY17

The main priorities of the Committee in FY16 have been to establish:

- A CSR policy covering all aspects of the Group's business
- A framework for CSR reporting within the Group following the IPO in November 2015

During FY17, the Committee will focus on:

- Agreeing appropriate KPIs and targets and measuring our performance against these
- Establishing a framework for greenhouse gas emission reporting

A full year's reporting across all the KPIs has not been possible during FY16 as data was not collected throughout the financial year due to the fact that this was not a requirement prior to the listing of the Group in November 2015. There are also, therefore, no comparatives for previous years in this year's report.

*Top left: Homeowners at The Sycamores, Kinross.*

*Bottom left: Local children from Evendons Primary School with the site team.*

## Greenhouse gas emission reporting

As permitted under the Companies Act 2006 (Strategic Directors' Report) Regulations 2013, the Group has decided not to report its Scope 1 and Scope 2 greenhouse gas emissions but to explain why we have not complied. The Company only became a public limited company with listing on the London Stock Exchange in November 2015. Therefore, we were only subject to these rules for part of the financial year under review and are not able to provide data for the whole year, due to the requisite systems not being in place to capture the relevant data. The Company will report on its Scope 1 and Scope 2 greenhouse gas emissions in our next Annual Report.

## Planning and design

We understand that our homeowners want to be active within their community and near to local amenities and public transport links. On average our homeowners move no more than five miles from their current homes into a McCarthy & Stone apartment, so our developments are clearly helping to meet a critical and growing local housing need.

We have strict criteria when purchasing land to ensure the location will suit the needs and aspirations of customers. Our developments are typically built on centrally-located, urban, brownfield sites which were previously developed or had an existing established use.

We optimise the development density of our sites with an average site density in FY16 of 31 dwellings per acre (76 per hectare). This, combined with a relatively low level of car ownership and usage amongst our homeowners, means that we deliver a highly sustainable form of development.

## Community consultation

We consult local communities, businesses and other relevant stakeholders on every new planning application we bring forward (both pre- and post-submission), including holding one-to-one meetings, discussions with affected parties and public exhibitions. This gives neighbours and

other affected parties a platform to voice their opinions, many of which influence our designs and approach to construction. During FY16, over 130 consultations and exhibitions were held with 80% of attendees advising that they found them informative.

A number of our developments have recently won awards for design including Queen Elizabeth Court, Kirkby Lonsdale and Scarlet Oak, Solihull.

### Benefits of McCarthy & Stone developments

- Support of our management team
- Central locations
- High-quality well-designed apartments
- Contribution to the local economy
- Reducing strain on local infrastructure
- Redevelopment of brownfield land
- Freeing up under-occupied homes
- More interaction with other people and reduced loneliness
- Enhanced safety and security
- Wide range of social activities

## Construction

We are aware of the impact that the construction phase of our activities can have on the local community. All of our sites must comply with internal policies around levels of noise, cleanliness and presentation. Some of our sites are accredited under the Considerate Constructors Scheme (CCS), including our site at Midhurst in our South East region, which won a CCS silver award in 2016.

### Minimising our impact on the environment

There are clear environmental and business benefits to designing energy efficient homes, using responsibly sourced and efficient materials, and with the minimum of waste sent to landfill.

Having a clear understanding of where our money is being spent and how much waste we create during the construction and operation of our developments allows us to make better informed business decisions while ensuring we minimise our environmental impact.

# 130+

Planning consultations and exhibitions during FY16

# Corporate Social Responsibility continued

We are committed to reducing levels of waste generated by our construction sites year-on-year as this will bring both financial and environmental benefits.

During FY16, we replaced our waste management supplier with two new suppliers, Kenny and Waste Cycle, and their environmental credentials were a key factor in our selection process. We are proud to report that of the 21,316 tonnes of waste generated on our construction sites in FY16, only 5.6% (being 1,185 tonnes) went to landfill, the rest being recycled. We continue to work with our waste management companies to further improve this figure, as well as with our suppliers to reduce waste further up the supply chain.

### Efficient homes

We design our developments to maximise the performance of the fabric and materials of the building. This approach is used for a number of reasons:

- It prioritises the largest item of energy consumption in homes, being maintaining a comfortable internal temperature
- The energy efficiency is integrated into the building and does not require occupants to operate complex systems or change their behaviours
- Energy efficiencies will last as long as the building lasts and costly maintenance of heating systems, for example, is avoided

We employ a range of methods across our 'fabric first' approach including:

- Maximising air tightness
- Installing insulation in walls and loft spaces
- Optimising solar gain through openings and shades
- Optimising ventilation and using the thermal mass of building fabrics
- Addition of photo voltaic cells to buildings where practical

### Engaging with the community

We do not just consult with local communities at the planning stage – we also engage with them during the construction phase. Activities include visiting local schools or

organising visits to our sites to encourage children to understand the dangers of construction sites.

### Living in a McCarthy & Stone development

Our Retirement Living and Assisted Living developments have a House Manager or Estate Manager on-site during working hours or up to 24 hours a day, respectively. Since 2010 those services have been provided in all new developments by our in-house management services companies. Their role is not only to help deal with any issues that our homeowners may have but also to help create a friendly and communal environment where the homeowners can, if they wish, seek companionship and make new friends.

We are very proud of the work of our management services business in promoting social interaction among our homeowners. In FY16, there were between 1,700 and 1,900 events held across our developments each month. Social events are organised in our homeowners' lounges and range from coffee mornings, film and quiz nights, music evenings, exercise and craft classes and local interest talks and events. Participation and feedback from homeowners is very encouraging.



To support this, the Group has set up a 'community fund' which can be spent at the House/Estate Manager's discretion with the aim of engendering a sense of community within the first year of each new development.

We are very pleased that two of our developments, Rockhaven Court in Horwich and Queen Elizabeth Court in Kirkby Lonsdale won awards at the National Housing for Older People Awards 2015. These awards celebrate the best specialist housing for older people and are voted for by residents and staff.

In April 2016, we published a report in partnership with the cross-party think tank Demos entitled '**Building Companionship: how better design can combat loneliness in later life**' which highlighted the social benefits of our developments, particularly in addressing the issue of loneliness among older people. The report showed that our homeowners feel much higher levels of companionship and have more social interaction since moving into one of our developments.

### Building Companionship: how better design can combat loneliness in later life

Results of the survey comparing our homeowners with the over 55s in general housing

| Age of people surveyed   | All ages of population | 55-64 | 65-74 | 75 + | McCarthy & Stone homeowners |
|--|------------------------|-------|-------|------|-----------------------------|
| There is a sense of community among the people who live in my housing development/ neighbourhood or street | 49%                    | 42%   | 58%   | 51%  | 85%                         |
| There are sufficient social events for my age group  | 38%                    | 36%   | 53%   | 56%  | 73%                         |

# 94.4%

Of waste was diverted from landfill in FY16

# 85%

Of our homeowners feel there is a sense of community in their developments

# 1,700+

In FY16 between 1,700 and 1,900 social events were held across our developments every month

Our commitment to our customers has been recognised by us gaining the prestigious HBF Five Star customer satisfaction award for a record 11 consecutive years – making us the only major housebuilder of any size or type to achieve this award every year since its inception.

### Helping our homeowners to reduce their carbon footprint

During 2016, we began a roll-out of smart electricity meters across our developments. These allow us to monitor usage on a real time basis, both in terms of kWh and cost, of electricity used within shared areas on a half-hourly basis. As at 31 August 2016, 57 developments had these new smart meters installed, representing approximately 22% of the Group's managed developments.

The data from the new meters has been received enthusiastically by homeowners with energy savings already starting to be seen. Some of the benefits include: laundry facilities being used outside of peak hours when electricity is cheaper; windows and doors being kept shut when heating is on; and heating being turned down when not required.

Smart gas meters are also being rolled out across the Group's Assisted Living developments which use gas.

With the planned deregulation of the English water market in April 2017, we are planning to install smart water meters to measure water usage across our developments with the aim, again, being to reduce the volume of water used.

### Charitable donations and community contributions

We always try to contribute to communities both around our developments and our offices. This is done regionally and can take the form of charitable donations or time donated by our employees, particularly focusing on local charities and local community groups. In addition, our Corporate Centre has a monthly charity collection,

with the chosen charity, typically a small local organisation, being nominated by a member of staff.

#### Case study: Fernheath Play Association

Since June 2015, McCarthy & Stone has pledged £24k to Fernheath Play Association, a Bournemouth-based charity. Fernheath Play Association offers play facilities to local disabled and disadvantaged children and our two-year commitment has contributed towards much-needed staffing of the centre after it was forced to suspend its play work for the first time in 38 years, and has allowed it to reopen during school term times.

The Association is the only fully inclusive play and short breaks centre in Bournemouth, meaning all children who attend have the ability to interact and engage in imaginative play. The Association has a wide range of outdoor equipment, as well as indoor spaces for activities, table top games, and play and sensory rooms.

We are delighted to support Fernheath Play Association in its important role in helping the local community.



From left to right  
Joe Elston, Fernheath Play Manager;  
Gary Day, our Land and Planning  
Director; Paddy Williamson,  
Fernheath Play Chairperson;  
and Conor Burns, MP and Fernheath  
Play Patron

### Creating a culture of excellence and a great place to work

Our people are vital to the continued growth and success of our business. The Group recognises that attracting and retaining employees is only possible if we provide the right working environment, appropriate reward and recognition schemes and opportunities for personal development and training.

At 31 August 2016, the Group employed 1,344 people (FY15: 1,158). This figure excludes the Estates Management teams, subcontractors and agency workers. Some 48% of employees in the main business are employed on sites or at developments or as House Managers with the balance based in our regional and central offices.

|  | Male | Female |
|--|------|--------|
| <b>Directors of the Company (including NEDs)</b>                                     | 6    | 1      |
| Employees in senior management positions including Directors of subsidiary companies | 98   | 24     |
| Total employees of the Group (excluding NEDs)  | 699  | 645    |

At the end of the financial year 48% of all employees were female and 45% were over the age of 50.

#### Diversity and inclusivity

The Group is committed to promoting policies to ensure that those who are employed by the Group's businesses are treated equally, regardless of status, gender, sex, age, colour, race or ethnic origin.

We give full consideration to applications for employment from persons with disabilities where the requirements of the job can be adequately fulfilled by a person with a disability. Should any employee become disabled, it is the Group's policy, wherever possible, to continue the employment of that person. It is the Group's policy to provide equal opportunities for the training and career development of employees with disabilities.

# 48%

Of our workforce was female at 31 August 2016

# 19%

Of our senior management at year end were female

# Corporate Social Responsibility continued

## Employee communications

We communicate with our employees through a variety of channels including regular updates and the Group’s quarterly staff newsletter. Group-wide business updates led by our Chief Executive Officer on the business strategy provide employees with an opportunity to provide feedback to management.

## Employee survey

Our latest all-employee survey was carried out in October 2015. The response rate was 90%, up from 87% in 2014. The results showed some extremely encouraging year-on-year improvements compared with the 2014 results, which were already well ahead of external benchmarks. Significant improvements were made against our five key employee engagement metrics.

|  | 2015<br>% | 2014<br>% | External<br>benchmark<br>% |
|--|-----------|-----------|----------------------------|
| I am proud to work for McCarthy & Stone                                | <b>89</b> | 79        | 76                         |
| I would be happy to recommend McCarthy & Stone as a place to work      | <b>81</b> | 68        | 74                         |
| I feel a sense of belonging at McCarthy & Stone                        | <b>76</b> | 61        | 54                         |
| I feel valued for the work I do  | <b>74</b> | 62        | 44                         |
| I am clear about how my role contributes to McCarthy & Stone’s success | <b>91</b> | 82        | 62                         |

## Recognition of achievements

Our values, which were chosen by our employees, are the standards to which we hold ourselves accountable and reflect the way we work, the way we communicate and the way we act.

### Our values are:

- Passion
- Responsibility
- Innovation
- Determination
- Excellence

We celebrate and recognise employees who go the extra mile for a customer or colleague through our quarterly and annual PRIDE awards. Our progress is illustrated by our most recent employee survey, which identified that 89% of our employees are proud to work for McCarthy & Stone.

Any staff member can nominate a colleague for an instant PRIDE award which is judged by our regional PRIDE champions. Each quarter, instant PRIDE winners are then put forward for quarterly awards with overall winners being judged on an annual basis. During FY16, 572 PRIDE awards were presented.

Our overall PRIDE champion for the year was our Senior Benefits Adviser, Colin Cuthbert. Colin heads up the team who offer free and confidential advice to prospective customers on any benefits they may be entitled to. This service reviews their individual circumstances and determines whether they are entitled to any Government funding, ranging from Pension Credits, to housing support and attendance allowance, right down to free television licences for the over 75s. The service has helped almost 500 customers access £2m of unclaimed benefits in the last year.



Colin Cuthbert, Senior Benefits Adviser

# 90%+

Over 90% of our homeowners said that they would recommend us to a friend, a great endorsement of our customer-centric approach

## Employee involvement

Employees are encouraged to participate in the success of the Group and during the year two share schemes were introduced: a share save plan (SAYE) and a share incentive plan (SIP). Both schemes are open to all employees. The SAYE savings contracts are for either three or five years. Neither scheme is subject to performance conditions.

## NHBC Pride in the Job Awards

We are extremely pleased that our standards are recognised externally. In 2016, ten of the Group’s Site Managers were awarded NHBC Pride in the Job Awards. These awards are the industry’s most prestigious awards programme and recognise Site Managers who achieve the highest standards of housebuilding and who demonstrate the highest qualities of workmanship, leadership, technical expertise and health and safety awareness. Our Pride in the Job Award winners will now progress to the next stage of the awards process in the autumn.

## Apprentices and trainees

We offer aspiring site managers the opportunity to learn hands-on skills on our construction sites whilst studying towards a NVQ qualification such as Level 4 Diploma in Construction and Building Services Management, and Supervisions and Technical Certificate Level 4 NHC in Construction and the Built Environment. We also participate in a Shared Trade Apprentice Scheme, Partnering with South West based subcontractors, and Bournemouth and Poole College. We hope that, once qualified, the apprentices will continue working for the Group, thus helping to alleviate national shortages in skilled labour the industry is currently experiencing.

We also offer trainee contracts in other departments such as Sales, Finance and Legal Services.

## Opportunities for development

We have an ongoing commitment to training, and personal and professional development. Performance against objectives is formally reviewed on an annual basis. As well as setting

# 10

NHBC Pride in the Job Awards in FY16

objectives, the process includes the identification and implementation of a tailored personal development plan. Improvement programmes focusing on quality, efficiency and customer service provide an opportunity for all employees to be involved in the development of the Group's business and products.

### Student placement scheme

The Group is also developing the next generation of housebuilders through a student placement scheme run in conjunction with Northumbria University. As part of the scheme, which has been running since 1991, students studying for the BSc Hons in Construction Project Management have the opportunity to spend a year working at McCarthy & Stone. This works well for both the students, who gain on-site experience, and for the McCarthy & Stone Group, with many students competing for placements and choosing to become employees after they graduate.

Four new students started their placement years at the Group in August 2016. In total, over 130 people have completed the scheme with us since it was launched with several scheme participants continuing to work for us after completing their degrees. Some have risen to senior roles in the organisation.

### Building a culture of excellence in health and safety

Health and safety is a top priority for the Group. The Health and Safety Operations Director reports directly to the executive leadership team. In addition to the central team who determine our health and safety strategy, we have a Group Construction Health and Safety Manager and regional advisers.

### Construction sites

On site, we emphasise both a proactive approach to health and safety as well as underlining the individual responsibility every site worker has for their and their colleagues' health and safety. All staff (both employees and contractors) are required to have adequate health and safety qualifications before starting work on one of our sites and

all contractors are required to hold a valid Construction Skills Certification Scheme Card. This evidences that the contractor has the relevant skills required for their role, including understanding the health and safety implications of the work they perform.

We require all our Site Managers and Assistant Site Managers to have the Construction Industry Training Board's (CITB) Site Management Safety Training Scheme qualifications and to be qualified first aiders. There must be a qualified first aider on site at all times.

During FY16, we reported nine incidents under the Reporting of Incidents Diseases and Dangerous Occurrences Regulations (RIDDOR) to the Health and Safety Executive.

We employ the BSG to undertake independent audits of our construction sites throughout the year and they visit each site every three weeks during the build process. During FY16, our average score was 98.7%, which was achieved by scoring 1,326 points in 1,032 visits. These audits help the Group move closer to its goal of achieving a culture of excellence in health and safety.

Since 2015, the Group has entered its sites for the NHBC Health and Safety Awards. These have been running for seven years, and recognise and reward the very best in health and safety, with the aim of driving up standards, and showcasing and sharing best practice.

During FY16, we received five NHBC Health and Safety commendations with one site going on to receive a highly commended award. In FY15, we received two commendations and one highly commended award. We have also been nominated for four awards from BSG for FY16. In FY15, we were BSG's UK member of the year and also received two regional awards and two site manager awards.

### Managed developments

At 31 August 2016, we were managing 264 developments occupied by over 12,000 homeowners. At our Retirement Living developments, a House Manager is on-site during working hours and

at Assisted Living developments a member of the Estate Management team is typically on site 24 hours a day.

All our House Managers and Estate Managers have basic first aid training and are qualified to make initial assessments on minor trips and falls. Any incident involving a homeowner on one of our developments will have a full inquiry performed by our health and safety team with a view to ensuring the incident is not repeated. There were five RIDDOR incidents at our developments during FY16, only two of which could be attributed to us.

### Offices

All offices have a qualified first aider whose training is refreshed annually. All staff are also required to complete a desk-based questionnaire concerning their desk space and seating arrangements.

In 2014, we brought our health and safety training in-house, allowing us to tailor the courses to our needs. We have introduced training for staff to enable them to become increasingly self-supporting in their management of health and safety. During FY16, the Group delivered 355 in-house training courses for employees and 178 in-house training courses for contractors. 563 people attended safety workshops and 12 BSG safety surgeries were held.

### Human rights

We support the United Nations' Universal Declaration of Human Rights and have policies and processes in place to ensure that we act in accordance with our principles in relation to areas such as anti-corruption, diversity, whistleblowing and the requirements of the Modern Slavery Act 2015. All suppliers are required to confirm compliance with our Modern Slavery policy which was adopted during the year.

Our strategic report, on pages 01–49 has been reviewed and approved by the Board.

On behalf of the Board

**Clive Fenton**  
14 November 2016

# 98.7%

Average score achieved in FY16 against the BSG's 'generally complies' criteria

# 5

NHBC Health and Safety commendations in FY16 with one site going on to receive a highly commended award