



McCarthy & Stone
— Retirement living to the full —

Creating retirement communities that enrich the quality of life for our customers and their families





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Putting social purpose at the heart of our business

Millions of older people currently live in large houses unsuited to their needs and without the appropriate level of care and support, impacting their health and the public purse. Our retirement communities address this by providing purpose-built apartments and bungalows, large shared areas in which to socialise, and on-site management, care and wellbeing services.

While our typical customer is in their late 70s or early 80s, nine out of ten say their quality of life improves after moving. By bringing our customers together, supported by our teams, we help them re-find their purpose, and give purpose to our organisation.

One of the key benefits of our communities is the increased levels of engagement and companionship. Across our c.434 managed developments, we hold c.10,000 social events a month, averaging almost one a day per community, and ranging from coffee mornings to exercise clubs to fish and chip suppers on a Friday night.

Research shows this has a positive impact:

- **A person aged 80 living in a retirement community feels as good as someone aged 10 years younger through a greater sense of life satisfaction and reduced levels of anxiety. Residents are happier, less lonely and feel life is more worthwhile.**
- **The health and social care saving to the state from this is c.£3,500 per person per year, deriving from having fewer falls and GP appointments, delaying the on-set of dementia, quicker detection of strokes and lower use of social care services.¹**

Retirement communities also help young people at the sharp end of the housing crisis. Our customers release larger homes at the top of the market, which in turn helps young families, renters and first-time buyers move up the housing ladder.

This report provides further information on these benefits, but we want to do much more. We now plan to put social purpose at the centre of our business. We are more than a housebuilder and our role is fundamentally to improve society through the new communities we create, the lives we enrich and the brownfield land we rejuvenate.

In January 2020 we increased Board focus on sustainability through a newly formed Board-level CSR Committee, chaired by one of our independent Non-Executive Directors, Geeta Nanda.

This will be an independent committee overseeing the work of the existing CSR Committee at the Executive level. It will be responsible for making recommendations regarding the Group's environmental, societal, community engagement and employee-based activities. This new structure will be the driving force to embedding our purpose as a business throughout our organisation.

We will also review the various reporting frameworks for environmental, social and governance disclosures, including the Global Reporting Initiative, Sustainability Standards Board, International Standards Organisation and the Sustainable Development Goals. It will be important to select the framework that has the greatest relevance and materiality to our business. In addition, the Committee will review the obligations of the Task Force on Climate-related Financial Disclosures, which we will be expected to disclose against by 2022.

We are committed to putting our social purpose at the heart of our business and build on the good work our organisation already undertakes.

I look forward to updating you further on our progress.

John Tonkiss
Chief Executive

“

While our typical customer is in their late 70s or early 80s, nine out of ten say their quality of life improves after moving. By bringing our customers together, supported by our teams, we help them re-find their purpose, and give purpose to our organisation.”



¹ Healthier and Happier, WPI Economics, 2019

Our purpose is to create retirement communities that enrich the quality of life for our customers and their families

Retirement living involves more than simply deciding to move to a new home. It is an opportunity to embrace a new way of life with increased independence, freedom and enjoyment.

As the industry leader with unique expertise in planning, design and construction, we turn brownfield sites into retirement communities, where our customers form new friendships and enjoy peace of mind.

We have our two core products: Retirement Living and Retirement Living PLUS, which are aimed at those aged over 60 and 70 respectively. We also provide a range of wellbeing, care and support services to help our customers every step of the way.

We believe life is for living, whatever your age.

“ People need people. We are social animals. By bringing our customers together in our communities, we help them re-find their purpose. ”

John Tonkiss
Chief Executive

We create beautiful retirement communities with our customers' long-term interests in mind



Our Homes Retirement Living

Designed exclusively for people aged 60 and over, our **Retirement Living** homes feature either one, two or three bedrooms, an on-site House Manager, spacious lounges, fitted kitchens, level access and typically private outside space in the form of balconies, terraces or patios. From 24-hour security to slip-resistant flooring in the bathroom, every aspect is specifically designed with our customers' needs in mind.



Our Homes Retirement Living PLUS

Created with the very specific needs of people aged 70 and over, our **Retirement Living PLUS** developments offer retirement properties with management services, domestic assistance and personal care on site. They are an attractive alternative for people seeking additional support in their retirement while maintaining their independence.



Our Services Management, Care and Wellbeing

All **management, care and wellbeing** services are provided by our dedicated in-house teams. Our services business is at the heart of delivering our customer-led ethos and the operation of our retirement communities to enrich the quality of life for our customers. We are one of the largest housing with care providers in the UK.

The difference we make

Our customers

Before

- Often living alone and socially isolated
- Houses too big for their needs and maintenance concerns
- Remote from shops, services and public transport
- Families are worried about their parents

After

- New friendships
- Fewer burdens and worries
- Care and support on hand
- Peace of mind
- Within easy walking distance of shops and other essential services
- Families have confidence their parents are cared for

c.9/10
customers say we improve their quality of life

c.38,000
hours of care and support per month

c.76,300
meals, prepared monthly by our in-house chefs

£2million
amount of additional state entitlements we help our residents claim each year

c.10,000
social events and activities per month

HBF five star award



We have an unparalleled understanding of the needs of our customers and are proud winners of the HBF five star award for customer satisfaction for the past 14 years, which is every year since the survey started. We are the only developer, of any size or type to hold this record.

In total we help and support c.20,000 customers across 434 developments and are proud to have achieved a CQC 'Good' rating of 96% (FY18: 98%).

*WPI (2019)

Society

Reduce pressure on health services
c.£3,500 saving per person per year*

Unlock housing supply
Create two to three further moves in the chain from each retirement apartment purchased. Supports first time buyers and young families to move up the housing ladder

Bring life back to town centres
80% of customers use local shops daily or often

c.£3,500
saving per person per year

80%
of customers use local shops daily or often

Charity work - more than
£200k
raised for Beanstalk in FY19

c.£500k
raised for charities in the past three years

The environment

- 97% of sites are brownfield (previously developed) land, saving green fields
- High density form of development, making good use of sites
- Low car parking requirements with electric shared carpool on trial
- 97% of construction site waste recycled
- 50% of our developments now have smart meters installed
- Our first development to fully utilise Modern Methods of Construction (MMC) will commence in FY20
- Our apartments typically include electric hobs and electric heating

Our employees

- 30% of Board and over 75% of workforce are women
- Over 100 employees identified and funded for a Level 2 and Level 3 adult care worker apprenticeship
- 12 new apprentices to be employed in 2020 in our Build division
- 47% fall in our annual injury incident rate in FY19
- 1,658 team members providing management, care and wellbeing services looking after our residents
- 696 PRIDE awards handed out in FY19
- 80% of employees said they were very happy working for McCarthy & Stone

To create retirement communities that enrich the quality of life of our customers and their families

How we do it

Five important core components

Our business model is built on five important core components - each designed to provide the very best properties and services for our customers.

By ensuring that our customers are at the very heart of what we do, we will continue to evolve the business model as their needs and values change over time.

The McCarthy & Stone Way

'The McCarthy & Stone Way' describes the approach we take to improve business performance through consistent ways of working, ensuring that:

- Everything we do is focused on what our customers value
- Customers are at the heart of everything we do
- We operate efficiently, effectively and in a safe environment

We work together to promote our vision to create even deeper and longer-lasting relationships with our customers.



1. Land

We identify and secure high quality sites (97% are brownfield) to create retirement communities that are located within towns and cities, close to amenities and which meet the needs of our customers and their families.

This approach reduces the pressure for greenfield sites, assists with the need to rejuvenate land, buildings and high streets and mitigates the need for private transport.



2. Planning

We operate an effective planning process and design high quality homes which meet our customers' evolving needs and improve their quality of life.

Our plans and designs include communal areas for customers which provide for a closer community spirit, more social interaction and reduce loneliness.



3. Construction

We consistently deliver exceptional energy efficient homes while maintaining robust health and safety standards and operating in a socially responsible, sustainable and ethical way.

There are clear environmental benefits to using responsibly sourced and efficient materials and minimising the amount of waste sent to landfill.



4. Sales and Marketing

Our approach to sales and marketing is focused on ensuring our customers enjoy the best possible experience, from expressing an interest in a McCarthy & Stone home and our services, through to moving in to their new home.

We help our customers to make the right decisions and we create liquidity in the housing market.



5. Management, Care and Wellbeing Services

Our services business is focused on the creation of a flexible offering that enhances our customers' sense of community and help maintain their independence.

We remove the burdens and worries of property maintenance and ensure that carefully tailored care and support is on hand 365 days a year.

“By ensuring that our customers are at the heart of our business and by creating homes that are both desirable and environmentally friendly we will create a sustainable business model for the future.”

Gary Day, Chairman of the CSR Committee in FY19

Our corporate social responsibility aims during the year were to:

Build safe and vibrant developments

Minimise the environmental impact of our activities

Engage positively with our local communities

Create a safe and inspiring workplace for our employees and our contractors

Build a culture of excellence in health and safety

Our key priorities for the period were:

PRIORITY

Health and Safety

To continue to improve our health and safety record, including our annual injury incident rate (AIIR).

During the year we reduced our annual injury incident rate (AIIR) by 47%, from 643 to 337. This brings our AIIR more in line with our homebuilder peer group and is less than the HSE Construction Industry Average. See table on page 37.

The number of incidents required to be reported under the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations (RIDDORs) during the period was eight, a significant improvement on FY18 when we recorded 20 RIDDORs.



337
Annual Injury
Incidence Rate
(AIIR) (FY18: 643)

PRIORITY

Customer satisfaction

To maintain our five star customer satisfaction record.

We are delighted to report that, once again, we achieved the full five star rating in the Home Builders Federation (HBF) customer satisfaction survey for 2019. This marks the fourteenth consecutive year in which we have achieved a five star rating and this year 92.8% of our customers have said that they would recommend us to a friend.

We are the only developer of any size or type to win this award every year since it was introduced in 2005. This sustained recognition by our customers of the quality of product and service we deliver is a strong endorsement of our continued desire to design, build, sell and manage the very best retirement developments.



John Tonkiss joins employees and residents of Poets Place, Loughton to celebrate receiving the HBF five star Customer Satisfaction Award for a record fourteenth consecutive year

PRIORITY

Product offerings

To improve our management services offering through increased affordability, flexibility and choice for our customers.

As well as developing a new compact apartment range, we made excellent progress with our new multi-tenure offering, giving our customers a choice of ownership, with a professional rental team now in place.



Choice of tenure options made available for customers

What are our tenure options?

- **Ownership** - Purchase a property outright
- **Rent** - A monthly rental charge to live in a property
- **Rent to buy** - An initial rental period for customers with the option to buy a property outright
- **Shared ownership** - Purchase and own a percentage of a property, whilst also paying a monthly rental charge

This was rolled out to more than 70 developments nationally by the end of the reporting period, following successful trials in the spring that confirmed strong demand for rental across both the Retirement Living and Retirement Living PLUS products.

We also made good progress with our new Modern Methods of Construction initiative, with our first site designed in this way set to start on site in early 2020.

PRIORITY

Equality and diversity

To increase the percentage of women in construction roles and in senior management positions.

The percentage of women on the Board has increased from 25% to 30%.

The percentage of women in senior management roles increased from 22% to 29%; and the percentage of the total workforce who are women has increased from 69% to 75%.



PRIORITY

Environmental impact

To continue to minimise the impact of our business on the environment.

We sent 658 tonnes to landfill during FY19. This represented 3% of the waste collected from our construction sites - an increase of 1% against FY18. This was due in part to more accurate records from our site waste contractors and greater segregation of waste. Details of our site waste management are on page 58.



We were pleased that 97% of our land exchanges were on brownfield sites.

Additionally, we introduced a new car fleet policy during the year, which reduced the maximum permitted CO₂ cap and offered hybrid cars and in partnership with Enterprise Car Rental we are rolling out a car club initiative for our customers in our developments.

Our reporting period was 14 months from 1 September 2018 to 31 October 2019 to tie in with the extended financial report for the Group, following our change of accounting year end from 31 August to 31 October.

Since year end I have stepped down as Chairman of the Executive CSR Committee as part of the revised structure that is being put in place for corporate social reporting. More details of the framework going forward are set out in the letter from our Chief Executive on pages 2 and 3. I look forward to continuing to be a member of our CSR Committee and helping to take forward our exciting new activities in this area.

“ We also made good progress with our new Modern Methods of Construction initiative, with our first site designed in this way set to start on site in early 2020. ”

Gary Day
Chairman of the CSR Committee in FY19



Happier and healthier - enriching our customers' lives

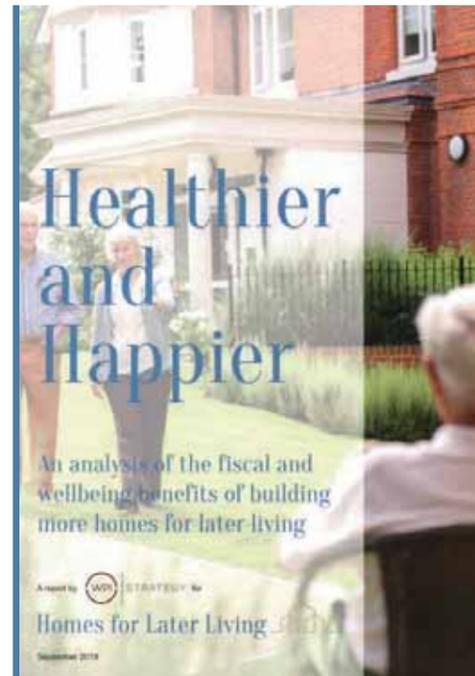
Working with other operators of retirement communities, we published new research in September 2019 on how retirement developments improve the lives of our customers.

Our report, 'Healthier and Happier', was written by a former economist in HM Treasury and looked at the potential savings that Government and individuals would make if more older people in the UK could access specialist retirement living accommodation.

Living in homes that are not within easy reach of public transport, local services and amenities are factors which can contribute to loneliness and depression. Research has suggested that older people who are lonely are three times more likely to suffer depression¹ and 1.9 times more likely to develop dementia in the following 15 years¹. Social isolation increases the risk of being diagnosed with chronic illnesses.

The research found dramatic improvements in personal wellbeing of a typical 80 year old moving from mainstream housing to housing designed for later living.

On a selection of national wellbeing criteria such as happiness and life satisfaction, an average person aged 80 feels as good as someone 10 years younger after moving.



Of the 1,400 residents of retirement communities surveyed as part of the research:

- Two thirds (67%) felt they are less likely to move into a residential care home since moving into their retirement community
- Three quarters (76%) felt communal areas are important for wellbeing and the ability to socialise

¹ Social Finance (2018) Investing to Tackle Loneliness: A Discussion Paper

By retaining independence and increasing social interaction, retirement communities can significantly improve the wellbeing and health of older people and enhance their overall quality of life.

The report calculated that health care spending on the average 80 year old is £6,200 a year. The most costly hospital admissions for older people are for falls, fractures, dementia and strokes.

Each person living in a home for later living enjoys a reduced risk of health challenges, contributing to fiscal savings to the NHS and social care services of approximately **£3,500 per year**.

Each person in a home for later living saves **c.£3,500** to the NHS and social services per year

Source: Healthier & Happier, 2019

By 2032, there will be almost **2m more people** over the age of 80 in the UK...

...this will **increase to 10m** by the end of the century.

Source: Healthier & Happier, 2019

There are currently **c.4 million** adults aged 65 and over who are considering moving.

Building 30,000 more retirement housing dwellings every year for the next 10 years could generate fiscal savings of at least £1.4bn on top of the savings already being made by existing homes for later living.

Building more homes for later living could save a total of **£2.1bn** to the NHS and social services per year

Source: Healthier & Happier, 2019

† = 1 million over the age of 80

Our customers



Our approach

Our customers are our community and customer satisfaction is our priority. It is therefore no surprise that our approach is centred on what our customers value:

Independence

- Close proximity to transport and local services
- Privacy and their own outdoor space

Support

- Social activities which they can take part in when they want
- On-site healthcare and assistance if and when required

Convenience

- Features which enhance our customers' lifestyle and safety

Community

- Offering our customers the opportunity to remain an active part of their community

Affordability

- Value for money

We offer well-designed properties in stunning locations where every detail has been carefully thought through with our customers' needs in mind.



Independence

Like proximity to transportation, privacy and outdoor space.

91%

of our customers have good access to local amenities and facilities

Support

During life transitions, including social activities and healthcare.

c.9/10

customers take part in organised events within our communities

Convenience

Customers value features that are easy to use and enhance their lifestyle and safety.

94%

of our customers feel their new property is easy to maintain

Community

"I don't want to be isolated, if you are older and you don't have good health, the community is vital".

c.7/10

customers have made new friends and socialise more

Affordability

Affordable housing and flexible care.

c.4/5

are not concerned about service costs and half would consider renting

1, 2, 3, 4 Homeowner Survey for McCarthy & Stone (2017)

5 McCarthy & Stone Non take-up research (2017)

What we offer

Three core functions make up our management, care and wellbeing services business. With 1,658 team members providing these services across our estate, we are one of the largest housing with care providers in the UK.

| | Features* | Benefits |
|---|--|--|
| Management Services Our high quality property management services reduce concerns around maintenance | General Maintenance <ul style="list-style-type: none"> • Cleaning - windows/spring cleans • Landscaped areas and scenic gardens • Lifts • Plumbing and drainage • Electrical testing and routine maintenance Management of accounts and service charges <ul style="list-style-type: none"> • Development accounting • Service charges managed | <ul style="list-style-type: none"> ✓ Remove worries over property maintenance, while appreciating the beautiful surroundings, including gardens and communal spaces ✓ A safe, clean and hygienic environment ✓ Reassurance to our customers by preparing transparent accounts and a clear breakdown of the service charge |
| Care Services Our care services support our customers' evolving needs. We provide the right level of care and support for our customers when required | Care and Support Services <ul style="list-style-type: none"> • Medication reminder visits • On-site treatments • 24-hour emergency call system • Care when needed • Support with dressing, shopping and assistance with personal care • Rehabilitation assistance | <ul style="list-style-type: none"> ✓ Services that are readily accessible ✓ Reassurance for customers that their health needs are being adequately catered for ✓ Families happy knowing loved ones are cared for |
| Wellbeing Services Wellbeing services enhance our customers' lives through innovative activities and services. We are determined that our customers feel safe and comfortable within our developments | Social <ul style="list-style-type: none"> • Social activities including book clubs, coffee clubs and day trips • Voluntary activities in the community • Digital skills training • Tailored exercise classes Catering <ul style="list-style-type: none"> • Restaurants and bistros • Meal planning and nutrition | <ul style="list-style-type: none"> ✓ Engaged in their community ✓ Healthy and active ✓ New friendships ✓ Wide variety of choice with food and beverages |

Management, care and wellbeing services are provided to make a positive difference to the lives of our customers and to enable them to live their retirement to the full and support them in their independence. Our Services business is at the heart of delivering our customer-led ethos and the operation of our retirement communities.

*Available at selected sites



At both our Retirement Living and Retirement Living PLUS developments our House or Estate Managers act as our eyes and ears. They are the friendly faces taking care of the practicalities of running the development. But just as importantly, they are also there to help facilitate the social activities our customers can choose to get involved with, while living their later years to the full. At our developments we get a unique insight into the daily lives of our homeowners, because of the sense of community that we help foster.

We are pleased that almost nine out of ten of our customers feel that moving to one of our developments has improved their quality of life.

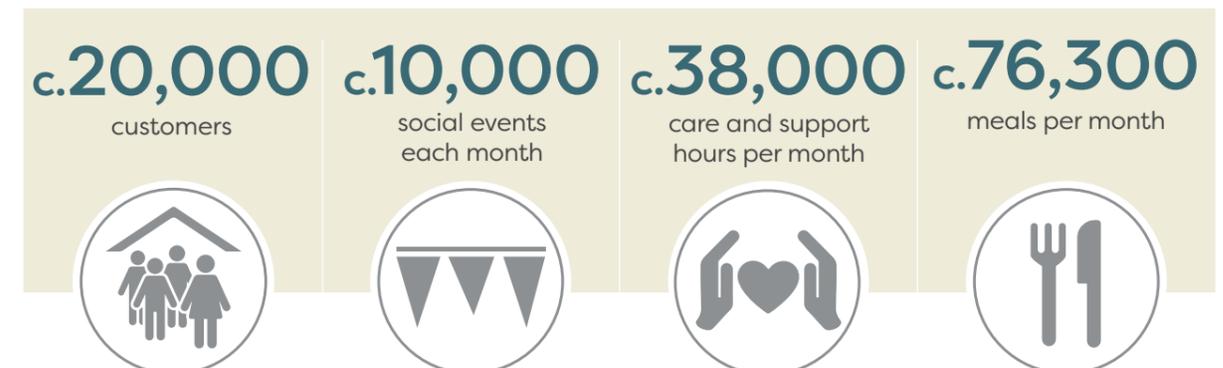
We work with local trades people to deliver first-class maintenance and beautiful gardens for all our managed developments. Additionally, we have a number of national contracts for our maintenance services for specialist items such as lifts and health and safety equipment.

In FY19 our management, care and wellbeing teams provided our customers with over:

- c.38,000 hours of care and support per month
- c.76,300 meals, prepared monthly by our in-house chefs
- c.10,000 social events and activities per month



In total we help and support c.20,000 customers across 434 developments and are proud to have achieved a CQC 'Good' rating of 96% (FY18: 98%).



*Voluntas, Homeowner Survey for McCarthy & Stone (2017)



“ Move while you can and while you can still enjoy the kind of lifestyle I am now. I missed out on so many years by staying in the old house, suffering the cold and just getting on with things.

“Had I known what I know now, I wouldn't have hesitated for a second.”

When it came to making the decision to downsize from the family home they had for 60 years in Edgware, Marion and her late husband Edward thought long and hard about it.

“It was an older property so it could get quite cold and draughty. It needed regular repair work to keep on top of it, and as Edward and I got older, we had begun to feel the chill much more than we used to.”

So, when the couple spotted an advertisement for Randolph House, a new Retirement Living PLUS development, they decided to go and view one of the show apartments.

“I fell in love with it almost immediately”, says Marion. **“We hadn't needed to move for 60 years so the idea that we could have something from new again, that didn't need any work and that was ready to move into was really appealing.**

“It was sad to be leaving the old house behind as it had such a place in our hearts. I think this is something a lot of people in a similar situation to we were, struggle with. It's the feeling of letting go. However, it was the best decision we ever made. It presented a clean slate. It was a ready-made community. Somewhere we could feel supported and not so on our own.”

To make their move easier, the couple took advantage of our Part Exchange scheme. **“My husband was becoming unwell and had stopped driving. Going down the part exchange route meant the whole process was handled by McCarthy & Stone,”** Marion explained.

Sadly, Edward passed away only months after they moved into Randolph House. Adjusting to life without Edward, Marion says she has found enormous comfort and help within the Randolph House staff and other residents, who have supported her throughout this difficult period and made her feel she is not alone.

She regularly gets involved with social activities at the development, including the weekly coffee morning, end of month meetings, bingo and the movie club.

“Had I have been at the old house when Edward passed away, I don't think I would have coped. Being in such a warm community has given me strength. It's given me a shoulder to cry on. It's given me purpose and I've found comfort with those who have gone through something similar to me.”

Marion Hughes, Randolph House, Harrow

Achievements and awards



HBF five star Customer Satisfaction Award

The Group sustained industry leading levels of customer satisfaction and is proud to be the only developer of any size or type to receive the full five star rating from the HBF for 14 consecutive years.

EAC Housing Awards

We were delighted to receive three national silver awards and 19 regional awards at the EAC (Elderly Accommodation Counsel) housing awards. These awards represent the best specialist housing for older people.

Sharon Gratton, one of our House Managers, was also recognised as one of nine heroes by the EAC based on her significant contribution to the quality of life in our Rockhaven Court development in Bolton.

NHBC Health and Safety Awards

We were very pleased to receive four commended and two highly commended awards this year. We are proud that our high standards of health and safety have been recognised by external inspectors across multiple sites. This reflects a 100% increase in total NHBC awards received compared to last year (FY18: three).

HBF/Housebuilder Awards

We were finalists for three awards as well as being commended for the Best Community Initiative for our intergenerational project. This project aims to encourage customers to spend time with children from their local primary school.

Residents' survey

As well as focus groups where we engage with our customers to get feedback on what we're doing right and what they would like us to do differently, we have recently launched our 2020 Residents' Survey, which closes in mid-February. All our customers are invited to participate in the survey which is being conducted by an independent research company on our behalf. Feedback from the survey will help us decide how to improve our services for the future. Further details of the response will be included in our FY20 sustainability report.

The previous survey was in 2017, when we received an 86% satisfaction rate. As a result of the feedback from the survey, we addressed concerns regarding social event programmes, communication and a clearer explanation of the breakdown of service charges.



¹ Survey of new homeowners by the NHBC and HBF (2018)
² Homeowner survey (2017)
³ Voluntas, Homeowner Survey for McCarthy & Stone (2017)



Combatting social isolation and loneliness

Isolation can be a problem for elderly people, especially if they have lost their partner or their children have grown up and moved away. There has been considerable research on how social isolation can affect people's health and mental wellbeing.

With c.10,000 social events and activities across all of our developments each month, our customers can always find something to do and someone to chat to. Our customers enjoy the best of both worlds: the peace and privacy of their own luxury apartments, along with the option to join in with various social activities should they so choose.



Coffee mornings, exercise and yoga classes, film nights, art and gardening clubs, dancing and quiz nights are just some of the social events and activities held during the past year.



We are working in partnership with Oomph delivering exercise training at some of our developments. Exercise is great for the continuing health of our customers and these classes are very popular. We hope to expand the number of classes over the coming year.



Residents at Bowes Lyon Court, Poundbury celebrating the development's third birthday in tropical style! Social get-togethers lead to new friendships and can foster improved mental wellbeing.



Homeowners from Wingfield Court in Sherborne have come together to share some of their wonderful life stories, which has resulted in the publication of a book entitled *Wingfield Chronicles*. New hobbies help keep the mind active.



Weekly singing sessions at Chinnerys Court, Braintree. Singing is a great social activity - it boosts confidence and improves concentration. It also releases 'feel good' hormones.



Residents at Shilling Place, Purbrook joined by local retirees at a befriending event, 'Friendship Friday', which aims to tackle loneliness among the older generation.



Afternoon dancing at Augustus House, Virginia Water, together with performances from Neil and Katya Jones. Dancing is a great social and physical exercise.

As well as meeting new friends, learning new skills and taking up new hobbies, our customers are greatly involved in supporting the wider community and engaging with charitable events. During the year, many other community and charitable events were organised, including Story Readers' Day and Silver Sunday - many of our developments participated in this national event to celebrate older people.

Developing our services for the future



Transportation

- ✓ New car club partnership with Enterprise Car Rental to reduce car usage
- ✓ First all-electric Car Club introduced in March 2019
- ✓ Rolling out an additional 20 Car Clubs for FY20



Technology-backed care

- ✓ Began a pilot with industry experts MySense, who have developed an artificial intelligence-powered wellbeing system
- ✓ Monitors a customer's daily pattern identifying any change in health
- ✓ The MySense wristband tracks information such as step count and heart rate
- ✓ Passive sensors fitted in apartments, monitors a change in behaviour and alerts loved ones or the McCarthy & Stone team if action is required
- ✓ We will also embed Appello emergency call systems into our developments in FY20



Pebble

A new generation of Pebble Bistros were launched in Worthing at Neptune House and Triton House in FY19.

Pebble offers:

- ✓ Longer opening hours
- ✓ A barista coffee service
- ✓ A licensed bar
- ✓ A newly designed menu
- ✓ A monthly gastronomic supper club



Fit for life

- ✓ Partnered with Oomph Wellness with support from Sport England, who deliver tailored exercise classes
- ✓ Customers tell us there is a positive contribution to their wellbeing

Enterprise car club

The number of older drivers behind the wheel is increasing - the amount of over 70s with a full driving license is now over five million. With more elderly drivers on the road, we have recently introduced a new Electric Car Club initiative for our residents. In partnership with Enterprise Cars, the scheme is aimed at those who don't want to give up driving for good, but don't use a car regularly enough to necessarily warrant the costs of ownership.

The first cars have now arrived at Triton House and Neptune House in Worthing. A total of 23 developments will be trailing the scheme across the country, with the remaining new cars being delivered in the spring. We hope that all cars in the Car Club will be 100% electric by the end of July 2020.

The dedicated electric car or hybrid car is available to rent for anything from 30 minutes - enough time to pop to the shops - to a couple of days for longer trips. For the majority it will be used for leisure, shopping and visiting family and friends. So far the feedback from both residents and staff has been very positive, with everyone looking forward to giving it a go - and for many of whom driving an electric car will be completely new.

Our residents will have access to the car parked at their development but also as part of the Car Club they will be able to hire any of the other 2,200 Enterprise vehicles, in over 170 UK cities.

The increased use of electric vehicles will have a positive impact on the air quality of the local communities of each of the developments, and with fewer residents bringing their old cars with them, save on unnecessary pollution.



Sky TV

We have been working with Sky TV to offer our customers exclusive TV packages at very favourable rates.

Helping our customers when they need it most

Entitlements advice service

We have been providing an entitlements advice service for almost ten years. Our dedicated team offers free and confidential advice to customers on any benefits they may be entitled to and provides advice to around 1,200 to 1,500 people each year. 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. Around 500 successful claims are made each year worth around £2m annually.

Dementia awareness

We are committed to improve dementia awareness. We have introduced guidance for our architects and interior designers and ensure that all of our new builds adopt key dementia friendly building design principles including new signage, themed floors and the importance of interior design to aid our customers in finding their way around the development.

By supporting people with dementia and their family members, we aim to create an environment that is inclusive, accepting and promotes a better quality of life for people living with dementia.





“ We’re never in. We get the bus all over as the stop is right outside the development. We like to do a bit of shopping, go for meals and explore different towns. There’s also lots we get involved in at the development - coffee mornings, dinners, drink nights and trips to the garden centre. ”

Barbara and Dorothy have been friends since they were 14 years old. Now in their 80s and both sadly widowed, the pair have tried their best to stay in touch. Since they became neighbours moving into Fairway View within a week of each other, the two ladies see each other more than ever.

Barbara comments, “When Dorothy told me she was moving to Fairway View on the advice of her daughter, it really spurred me into thinking about my own situation. I normally go away at Easter but this year the cruise I had planned was cancelled last minute, which meant I spent much of the holiday on my own. I didn’t really see anyone and it made me realise just how lonely I was.

“It was a decision I needed to make for myself and I gave it a lot of thought. But the fact that my friend Dorothy was so taken with it, gave me a lot of confidence and prompted me to ask her to come with me and see it for myself.”

For Barbara rental was the perfect option. It allowed her to be in her new apartment in a matter of weeks while she put her existing property - a semi-detached bungalow - on the market.

Barbara has been enjoying an active social life since moving to Fairway View with Dorothy, and the many new friends they have made there. The biggest change though has been the positive impact the move has had on Dorothy’s health.

Barbara explains, “For a while she has struggled to walk very far and needs oxygen to breathe. Before we came to Fairway View, she couldn’t get across the doorstep. But now, you wouldn’t believe she was the same woman.

“We still need to take it slowly, and when we’re out and about we stop for breathers and she needs regular rests, but the improvement has been vast.”

Barbara Higginbotham and Dorothy Leake,
Fairway View, Brough

Our employees

Social considerations

- Health and safety
- Wellbeing
- Equality, diversity and inclusion
- Training and career development

Environmental considerations

- Car fleet management
- Office waste management

Culture

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

| | |
|---|---------------|
| P | assion |
| R | esponsibility |
| I | nnovation |
| D | etermination |
| E | xcellence |



We celebrate and recognise employees who demonstrate our values and go the extra mile for a customer or colleague, through our quarterly and annual PRIDE awards. Any staff member can nominate a colleague for an instant PRIDE award, which is judged by our PRIDE champions. During FY19, 696 PRIDE awards (FY18: 681) including 79 quarterly awards (FY18: 53) were presented.

Employee engagement

Employee communication has grown in importance as a key part of supporting our people. We have, over the previous year, implemented major strategic changes and recognise the importance of ensuring our employees remain positively engaged throughout a process of business transformation, including the following employment engagement initiatives:

Employee survey

We ran a structured employee opinion survey in April 2019 with an excellent response rate of 74%, better than the industry benchmark of 60%. The survey concentrated on the key issues of maintaining employee engagement and on leading and supporting our people through our organisational changes.

In both regards we were pleased to see good results: Our survey delivered positive Engagement index and Culture and Transformation Index scores. Overall, we were pleased to see that 80% of respondents said they were happy or very happy about working for McCarthy & Stone.

During FY19 we formed a network of formal staff survey groups to help us understand how the results can lead to opportunities to improve both the way we support our people and our ways of working.

Half yearly employee opinion surveys are planned for FY20 in March and September and we have set improvement targets.

Employee voice

The Board appointed John Carter as Non-Executive Director with responsibility for championing the employee voice. His role includes bringing the key feedback from our employee survey groups to the Board. John was appointed to our Board in 2017, having previously been CEO of Travis Perkins Plc. He brings a wealth of leadership experience in this area.

John has already held a number of listening groups with employees around the business to explain executive remuneration and seek feedback on what it feels like to work at McCarthy & Stone in order to feedback to the Board the insights gained.

Equality, diversity and inclusion for all

The Group has established a strong reputation for treating people fairly and providing all its employees with equal opportunities to develop their careers. We have built on this by launching an Equality, Diversity and Inclusion (EDI) Policy which is overseen by our EDI Champion Nigel Turner. The policy underlines our commitment to creating an environment that enables every individual employee to be themselves, feel valued and able to perform to their best.

We have also introduced a new menopause support procedure.

Gender diversity at McCarthy & Stone

There are currently 10 plc Board Directors, three of whom (30%) are women. We also have 20% ethnic minority representation. These statistics reflect the importance given to diversity at Board level.

The charts to the right, taken from our Gender Pay Gap Report, shows that we have a higher proportion of men in senior management positions than women. We have launched a number of significant initiatives to address this including improvements to maternity (and paternity) pay, a women's leadership network group and leadership development training targeted at women.

In response to survey feedback we have also improved our communication channels, provided more information about the positive impact on our customers of our products and launched a new and improved Employee Assistance Programme.

The table below shows total employees (excluding Non-Executive Directors) gender:

Employees in senior management positions

| Female (FY19) | Male (FY19) |
|---------------|-------------|
| 21 (26%) | 61 (74%) |
| Female (FY18) | Male (FY18) |
| 29 (22%) | 103 (78%) |

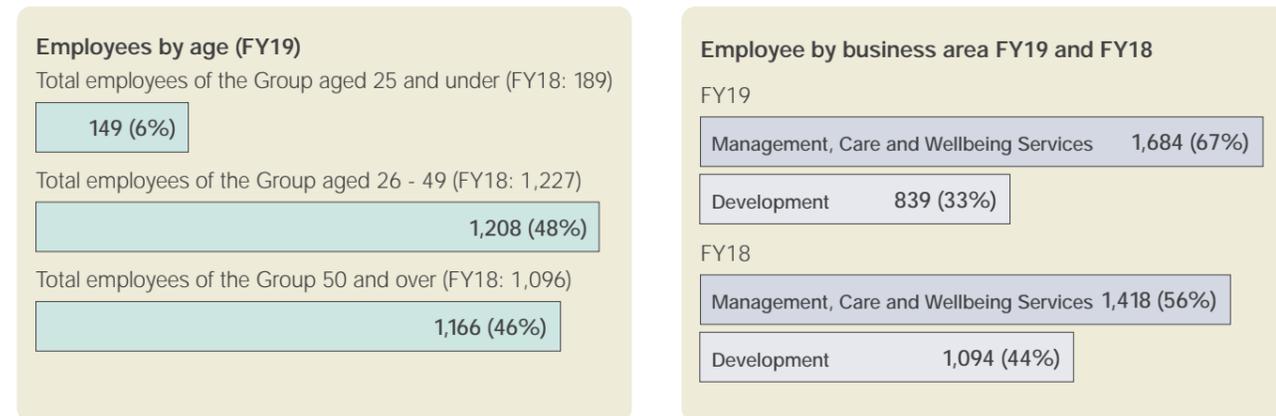


McCarthy & Stone employees dress up as characters for World Book Day

Total Employees of the Group (excluding Non-Executive Directors)

| Female (FY19) | Male (FY19) |
|---------------|-------------|
| 1,904 (75%) | 619 (25%) |
| Female (FY18) | Male (FY18) |
| 1,736 (69%) | 776 (31%) |

The tables below show total employees (excluding Non-Executive Directors) by age group and by business area, showing that 46% of our employees are aged 50 and above:



2018 Gender pay gap report

At 5 April 2018 McCarthy & Stone had three separate employing entities covered by this legislation:

- McCarthy & Stone Retirement Lifestyles Limited, employing 1,030 people,
- McCarthy & Stone Management Services Limited, employing 351 people; and
- YourLife Management Services Limited, employing 1,021 people

The remaining 124 people were employed in other entities not covered by the legislation and represented 4.9% of the total workforce.

Our mean hourly pay gap of 34.7% and our median hourly pay gap of 37.4% reflect the fact that we have a higher proportion of males in more senior roles, where the pay is higher.

However, if each gender were reported equally by job level, our mean hourly pay gap would reduce to 4.3% and our mean bonus gap would become 5.6% in favour of our female employees.

Unlike most of the major housebuilders, the majority of our site-based workers (who are predominantly male) are sub-contractors and are therefore not included in this analysis.

Our 2018 gender pay gap report is available on our corporate website:

www.mccarthyandstonegroup.co.uk

Our standards of working

We are also committed to achieving the highest legal and ethical standards and it is our policy to conduct business in a fair, honest and open way.

The Group has policies in relation to whistle blowing, anti-bribery and corruption, fraud and anti-money laundering and all staff are required to undertake training on these matters. In addition, we also have a confidential, externally provided whistleblowing hotline.

The Group's latest policy statement in relation to slavery and human trafficking, as required under the Modern Slavery Act 2015, has been published and is available to view on our website:

www.mccarthyandstone.co.uk

Learning and Professional Development

Opportunities for development

We have an ongoing commitment to training and professional development. Performance against objectives is reviewed regularly and provides our employees with the opportunity to discuss their learning requirements and self-development. This improves effectiveness in their current roles and supports career progression.

All employees have access to a range of both internal and external training and professional qualification courses.

Apprenticeship Schemes

We recognise the importance of developing our people to ensure continuous improvement in the quality of service we offer to our customers and high levels of employee engagement. In support of this objective we have launched the first phase of a core apprenticeship scheme.

We have identified over 100 people who work in our developments and live in the surrounding communities to be funded through a level 2 and level 3 lead adult care worker apprenticeship through 'Busy Bees'. This is not a Care Quality Commission (CQC) requirement but we strongly believe in providing industry-leading care for our customers, whilst providing our employees with the opportunity to gain qualifications which support their professional development.

We are funding 12 new entry apprentices in 2020 in our Build division, an initial cohort of three per Division, who will rotate through our construction, commercial and development functions. On completion of

their apprenticeship they will be given the opportunity to specialise in their chosen discipline, while completing both a Higher National Certificate (HNC) and a Chartered Management Institute (CMI) qualification.

We are mindful of the skills shortage in the construction industry and are actively involved in the Home Builders Federation (HBF) Skills Partnership initiative, including working with women in construction to develop pathways into the industry, providing placements and opportunities to join our apprenticeship programmes.

We are actively using apprenticeships for succession planning and to address identified skills shortages within the industry in roles that we directly employ. Last year our first three assistant site managers graduated from our apprenticeship pilot. Following the success of the scheme, we are enrolling 12 more apprentices into this programme and we have a further four apprentices working within our commercial and development teams.

Placement students

The Group acknowledges the importance of identifying capable individuals with the potential to develop and progress at McCarthy & Stone. We have a number of placement students in a wide spectrum of functions across the business. We place value on supporting the development of students, recognising the opportunity to enhance their knowledge in the construction and care industries from a young age. We hope from their experience at McCarthy & Stone they will return once they have finished their studies.

iLearn

In May 2019 an online platform was created by McCarthy & Stone for our employees to help with their learning and professional development.

- c.93% of employees actively used iLearn in H2 of FY19
- c.1,300 available training topics
- c.20,000 visits were recorded over H2 of FY19

CMI Centre

McCarthy & Stone is an approved Chartered Management Institute (CMI) Centre meaning we can deliver CMI qualifications. People attending Management Development workshops have the chance to continue their development and progress to Level 3 or Level 5 CMI Certificate or a Diploma in Leadership and Management.

Professional qualifications

We provide our employees with the opportunity to study and complete their job-specific qualifications. We currently fund over 20 employees to undertake Association of Accounting Technicians (AAT), Association of Chartered Certified Accountant (ACCA) and Chartered Institute of Management Accountants (CIMA) qualifications, as well as payroll qualifications. We are also supporting a number of employees, who are enrolled on the Chartered Institute of Personnel Development (CIPD) and the Chartered Institute of Marketing (CIM).

Health and safety

Health and safety continues to be our top priority. We encourage a proactive approach to health and safety as well as reinforcing the individual responsibility that every site worker has for their own and their colleagues' wellbeing. Employees and contractors are required to have adequate health and safety qualifications before starting work on our sites and all contractors are required to hold valid Construction Skills Certification Scheme cards.

The Board receives regular updates on health and safety including our Annual Injury Incidence Rate (AIIR), Reporting of Injuries, Diseases and Dangerous Occurrences Regulations (RIDDORs) reportable events and our performance against the NHBC All Advisor Average. As the majority of our site workers are sub-contractors and agency workers, continuous communication about, and induction on, health and safety matters is critical to ensure the safety of everyone.

NHBC carry out monthly independent health and safety inspections on all our live construction sites and report their findings. The data these reports provide allow us to compare our sites against other housebuilders through their system of All Advisor Average comparison.

Reducing injuries in the workplace – Annual Injury Incidence Rate

| | 2019 | 2018 |
|-----------------------------------|------|------|
| McCarthy & Stone | 337 | 643 |
| Homebuilder peer group | 287 | 328 |
| HSE construction industry average | 366 | 358 |

We have had no fatalities on any of our sites for at least 10 years.

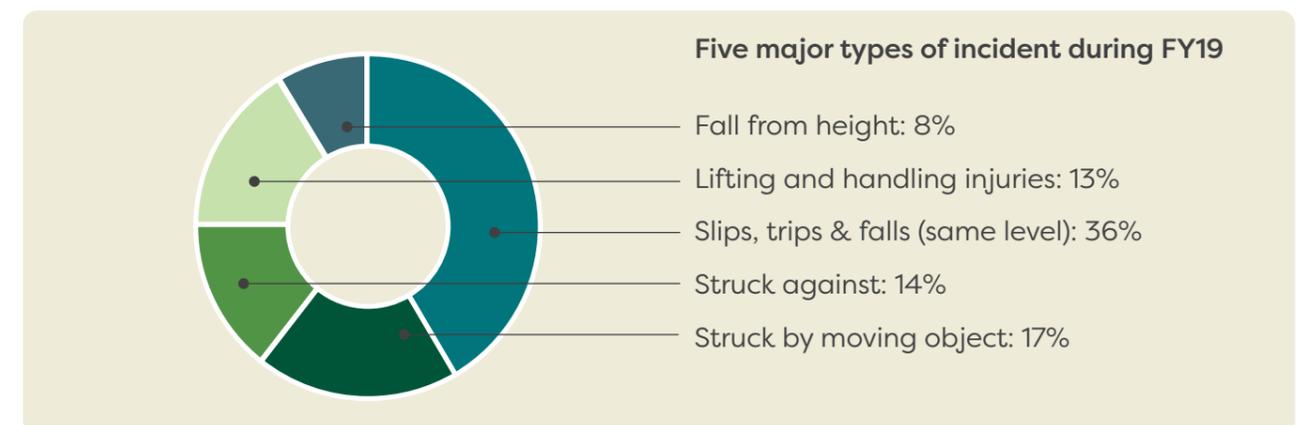
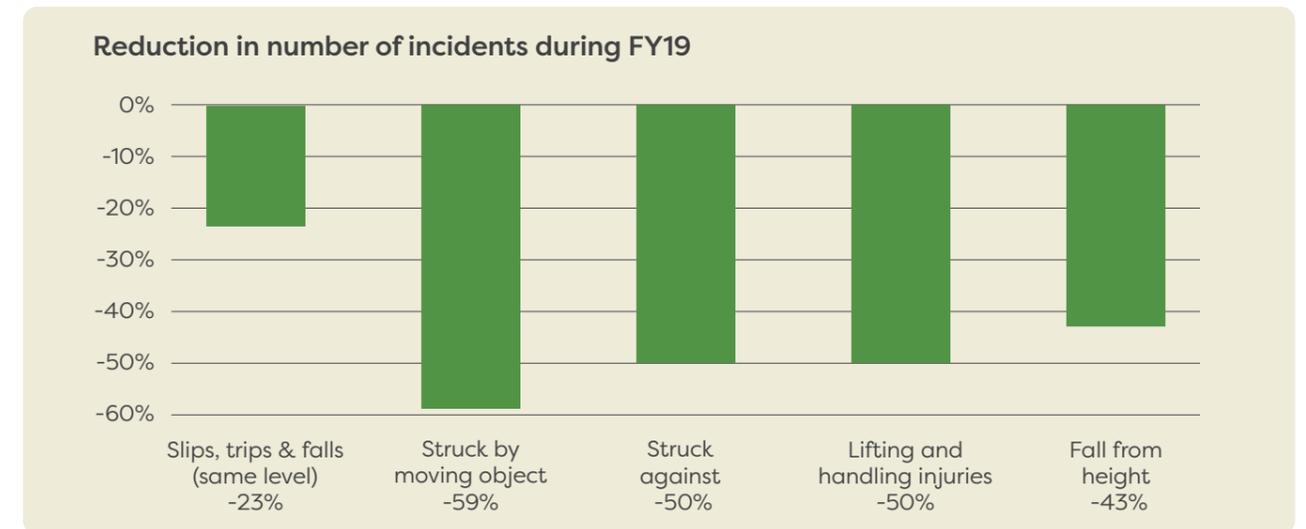
McCarthy & Stone's AIIR was 337 for the year until 31 March 2019, a 47% improvement on the year ending 31 March 2018 (FY18: 643) and 8 RIDDOR's (FY18: 20). This significant reduction in incidents during the year is as a direct result of our "Raising the Bar" campaign which focused on key areas and activities to reduce incidents.

Some of the measures we took during the year included:

- **Health and Safety induction video:** we introduced our first company H&S induction video, with a clear message to make sure everyone goes home safely
- **Weekly safety tours:** we now carry out weekly safety tours with key trade supervisors. The tours focus solely on health and safety issues

- **Contractor engagement:** we held a series of regional contractor seminars to communicate our Raise the Bar initiatives and to encourage input from our contractors
- **'Don't Walk By' campaign:** this is an ongoing campaign with a simple message - anyone seeing an unsafe condition or behaviour or someone putting themselves or others at risk, should speak to them or a supervisor and get the risk removed
- **Improved lifting procedures:** we have improved our lifting equipment operating procedures and implemented regular lifting audits carried out by our lifting team
- **Safer beaming activities:** beaming is one of our higher risk activities. In conjunction with our PCC beam suppliers, we have developed a new safe working practices document for beaming activities
- **Increased health and safety site presence:** we ran a campaign during the year to increase the presence of our SHEQ (Safety, Health, Environment, Quality) Advisors on our sites. This led to further actions including safety discussions, health and safety re-inductions and in extreme cases, operatives were removed from site

As a result of our actions, we saw a noticeable drop in the number of incidents during FY19.



NHBC Health and Safety Awards

We were very pleased that we received our highest ever number of awards this year - four commended and two highly commended. These awards recognise and reward the very best in health and safety and help to continually drive safety standards by showcasing and sharing best practice. We are therefore proud that our high standards of health and safety have been recognised by external inspectors across multiple sites. This reflects a 100% increase in total NHBC awards received compared to last year (FY18: three).

WeQual Awards 2019

The WeQual awards recognise the top 24 female senior managers who are direct reports to an executive committee member in a FTSE 250 company. We are proud that Lisa Greenwood, our Director of Organisational Development, was included.

Car fleet

We introduced a new car fleet policy in February 2019. We are now offering our employees the choice of hybrid cars and several employees have taken this opportunity to swap cars. We are working with our leased vehicle provider to extend our offering to fully electric cars. We are also looking to see if there are opportunities to introduce electric charging points at our offices.



McCarthy & Stone employees at the Sales & Marketing Conference 2020



Our charitable work

We are committed to improving the communities in which we work, and one way we do this is by engaging with different charities.

We're delighted to have chosen the national reading charity Beanstalk for 2019, to raise essential funds to improve the outcomes for children who struggle with reading.

A shocking one in four children across the UK leave primary school without the skills to read at the expected level, whilst 5.1 million adults are functionally illiterate. Following the success of our intergenerational project launched in Dorset last year, we saw first-hand the positive impact intergenerational volunteering can have on our customers and children within the local community. We therefore made it our aim for 2019 to help Beanstalk change these statistics and ensure that no child is left behind.

In 2018, roughly 156,000 children left primary school unable to read to the expected level, and Coram Beanstalk's 100 staff and 3,000 volunteers carry out work across England to try and correct this.

The main aim of our partnership was to raise at least £100,000 to support Beanstalk's reading programmes. We also encouraged our staff and homeowners to help by either becoming volunteers or taking part in fundraising.

Our employees walked, danced, cycled and ran to fundraise. We had gala balls and golf days. Our staff and customers dressed up for World Book Day and the Rugby World Cup. Nine members of our North London team took to the saddle to take part in a gruelling 100k bike ride across Hertfordshire raising over £10,000 for Beanstalk.

As part of this fundraising, we were pleased to raise c.£70,000 in one evening at the McCarthy & Stone 'Supplier Gala Dinner', which was held at Coombe Abbey in Coventry.

Our North East team for raising a phenomenal £22,100 at their Winter Ball for 350 people. Dressed in gorgeous gowns and smart suits,

the guests enjoyed dinner, fizz and dancing 'til dawn along to a fantastic 80's band.

Customers at Bowes Lyon Court in Poundbury celebrated World Book Day with a talk by their very own resident author and illustrator Graham Oakley. Everyone embraced the occasion, dressing up as their favourite character from Graham's novels and selling books to raise money for Beanstalk.



Customers at Poets Place hosted a World Book Day charity fundraiser raising £250 for Beanstalk through a £1 book sale and very generous donations. Everyone at the development is absolutely delighted that the funds will be able to support two children through a programme for a whole year.

We were delighted to have raised more than £200,000 for Beanstalk over 12 months and we thank our employees, customers and partners for raising money for this important charity.



CEO of Beanstalk, Ginny Lund, said, "We are in absolute awe of the fundraising efforts achieved by McCarthy & Stone's employees and its communities. They have shown such dedication and commitment throughout the year, resulting in them completely smashing the target they had set for themselves. This £200,000 will help us expand our reach and deliver more vital reading support to children across the country

who most need it. What has been really special about this partnership is that it has achieved much more than fundraising, it has created a lasting relationship with McCarthy & Stone who throughout the year have become reading helper volunteers in schools themselves. This will hopefully continue beyond the year-long partnership helping us reach more children over the coming years."



“ This was really humbling and sometimes we all need a little reminder to put life in perspective. ”

Volunteering at a school in Bournemouth which is a centre of excellence for children with special educational needs and disabilities, Tracey has found her experience enormously rewarding. With three boys at home, she never realised just how much she would personally gain from helping a child who struggles with reading, which is such an important life skill.

Here is a short extract from Tracey's blog where she talks about her experience reading with a little girl in Year 6.

“I sat down with one of the class teachers to discuss the many children who need support with reading. It took me about two seconds to realise that I wanted to help them all and what a difficult task it was going to be to select just one. We worked through their needs and where they are on their learning journey and finally I settled on a little girl in Year 6, we will call her JC.

“JC's reaction when she was asked if she would like to read with me was incredible. She was beside herself with excitement, and the mix of emotions that flitted across her face was enough to bring me to tears! She was hopping around on her toes,

twisting her school uniform belt, talking to me about insects and ladybirds with a mix of shyness and gushing energy that she couldn't stand still. Her joy at being chosen wasn't something I had expected and made me realise that whilst I assumed all I am giving is my time, what JC is receiving is huge.”

Tracey McDermott, Chief Information Officer
Volunteering for Beanstalk

Some of our additional fundraising events that have helped raise in excess of a further £50,000 for charity



Two of our employees, Cate Palmer, Area Sales Manager, and Camilla Tite, Sales Consultant at *Sycamore Court*, participated in the Sunrise Walk and raised £3,000 for Saint Catherine's Hospice.



A donation was made to The Silver Otter Café in Ottery St Mary, which supports adults with learning disabilities, mental health conditions and other associated disabilities, to develop their work based skills.



Homeowners from *Emerson Court* organised a fundraising for the Great North Air Ambulance raising an amazing £600. There was plenty of tea and cake, a Tombola game and a Bric-a-Brac sale.



Residents at *Rykeneld Court* have raised over £2,600 for charities since 2016. As well as hundreds of pounds for the Air Ambulance at their Fundraising Day this year, they participated in the Smarties tube challenge donating a grand total of £400 to Beanstalk.



Our intergenerational living project encourages customers to spend time with children from their local primary school. Residents at *Wingfield Court* in Sherborne enjoy spending a few hours a week with infants at their local primary school.



The residents at *Robert Adam Court* have raised £2,000 for causes during 2019. Their weekly Knit & Natter group have also made 100 blankets and teddy bears for Uganda and children's hospitals.



We raised £1,200 for the Anstruther community to help with various regeneration projects.



In Maidenhead, we donated £1,000 in support of a local bowling tournament between Maidenhead Town Bowls Club, Maidenhead Thicket Bowls Club and Desborough Bowls Club.



In Southampton, we donated to the Christmas appeal for SCRATCH, a local charity providing toys and gifts to disadvantaged children.



A donation was made to Harborough Community Bus, a small charity local to Market Harborough that runs an accessible minibus service for its members.



Residents at *Waterman House*, Bournemouth have raised over £1,000 for Forest Holme Hospice.



Residents at *Wardington Court*, Northampton have raised £1,000 for the British Heart Foundation.

By volunteering with Beanstalk you can start a new chapter

in your own life as well as changing the life of a child.

93%

of our volunteers would recommend it to a friend

92%

of our volunteers think that it makes them feel valued

88%

of our volunteers say it makes them feel mentally active

88%

of schools say that we improve the reading ability of their pupils

98%

of schools say that we improve their pupils' reading confidence

98%

of schools say that we improve their pupils' enjoyment of reading

Our products

Social considerations

- Reduce pressure on the health service
- Security
- Sense of community
- Support and care
- Improved wellbeing

Environmental considerations

- Management of external areas
- Car clubs
- Electric car charging points (at some developments)
- Smart meters (at some developments)

Retirement Living and **Retirement Living PLUS Management** - two retirement accommodation products, incorporating highly desirable apartments, plus bungalows at selected sites catering exclusively for older people.

The line up of products is completed by the **management, care and wellbeing** services business which is at the heart of delivering our customer led ethos and the operation of our retirement communities to enrich the quality of life for our customers.



Retirement Living



Our **Retirement Living** homes feature either one, two or three bedrooms, spacious lounges, fitted kitchens, level access, extra storage, en-suite bathrooms for our classic designs and typically private outside space in the form of balconies, terraces or patios.

Every aspect is specifically designed with our customers' needs in mind, including slip-resistant flooring in bathrooms, lever taps for easier usage and electric plug sockets at a convenient height.

They also feature generous communal spaces to help develop a sense of community.

This includes a shared lounge, a guest suite to accommodate friends and family visiting and landscaped grounds.

They also include a camera door entry and a 24-hour emergency call system with pendant alarms.

Key features

- For those aged 60+
- On-site House Manager
- Communal lounge
- Guest suite
- Extensive landscaped grounds
- Typically, between 30-50 homes per site
- Bungalows and cottages are an option at selected sites



24 hour security



Landscaped gardens



31 developments brought to the market in FY19 (FY 18: 44)

Retirement Living PLUS



Our **Retirement Living PLUS** developments offer retirement properties with management services, domestic assistance and personal care on site. These developments are an attractive alternative to residential or home care for people seeking additional support, while maintaining their independence.

They provide extra support if and when needed, whether it is for shopping, cleaning or care services. Tailored and flexible care and support packages mean customers only pay for the additional help they use, and can be dialled up and down as needs change.

Developments are similar to Retirement Living but have a number of additional features, including a full table service restaurant or bistro with meals freshly prepared on site, a function room, laundry and a secure mobility scooter storeroom.

Key features

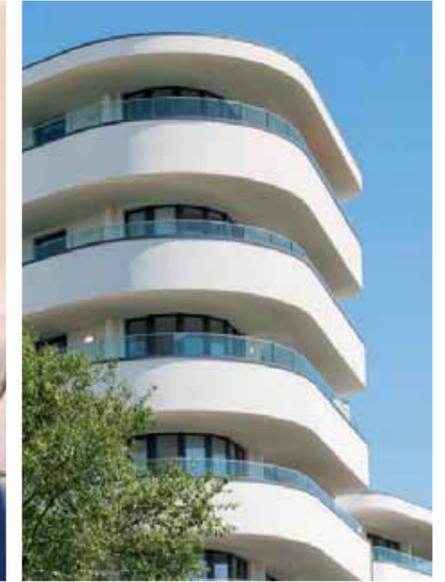
- Private apartments for those aged 70+
- Dedicated Estate Managers and on-site teams
- CQC registered care and support, available 365 days a year
- 24-hour site presence
- Emergency call systems
- Homeowners' lounge
- Full-service restaurant/ bistro, with all meals freshly prepared on-site
- Laundry & function rooms
- Wellbeing & guest suites
- Landscaped grounds
- Mobility scooter store
- Bungalows at selected sites

14
developments brought to market in FY19 (FY18: 18)

96%
CQC score rated "Good"

100%
Built to wheelchair accessible standards

Management, Care and Wellbeing Services



Our services business is at the heart of delivering our customer led-ethos and the operation of our retirement communities to enrich the quality of life for our customers.

All management, care and wellbeing services are provided by our dedicated in-house teams. Our care services business is known as YourLife Management Services.

At both our Retirement Living and Retirement Living PLUS developments, our House and Estate Managers act as our eyes and ears. They are the friendly faces taking care of the practicalities of running the development. But just as importantly, they are also there to help facilitate the social activities our customers can choose to get involved with, while living their later years to the full.

We work with local tradespeople to deliver first class maintenance and beautiful gardens for all our managed developments. Additionally, we have a number of national contracts for our maintenance services for specialist items such as lifts and health and safety equipment.

Three core functions make up our management, care and wellbeing services business:

- Property management and maintenance
- Technology enabled care services
- Community and wellbeing

In total, we help and support c.20,000 customers across 434 developments and are proud to have achieved a CQC 'Good' rating of 96% (FY18: 98%).

434
developments under management (FY18: 379)

c.20,000
customers supported by Management, Care and Wellbeing services (FY18: c.17,000)

c.9/10
customers say that their quality of life has improved after living with us for nine months

Targeted land acquisition

Social considerations

- Central locations
- Near amenities
- Near public transport
- Increased fluidity in the housing market
- Convenience to customers
- Support for local economy

Environmental considerations

- Brownfield sites
- Low level of traffic generation
- Regeneration of unused buildings
- Optimising site density

Close proximity to transport and local services

Rejuvenation of land, buildings and high streets

Highly sustainable use of developments with optimised densities on brownfield sites

Our developments generate low levels of traffic



Cardinal Court, Bishophill, York

Our targeted land acquisition approach

We target brownfield sites, helping to preserve greenfield and undeveloped areas.

In FY19 97% of our land exchanges were brownfield sites, including a former garage, a police station, a disused factory car park, a former medical centre and care homes. Many of the sites we purchase are derelict or unloved and in need of redevelopment.

We always seek to optimise the development density of our sites. In FY19 the average size of our land exchanges was 1.54 acres, with an estimated average site density of 44 units per acre.

Central locations

Our developments generate low levels of traffic. Many of our customers no longer drive, so easy access is very important, making centrally located sites our preferred choice. Proximity to transport links, shops and amenities such as doctors' surgeries are important to suit the needs of our customers. This means that our residents have a reduced reliance on their own cars and a smaller 'carbon footprint'. The few residents who do own a car tend not to use it in peak hours, nor on a day-to-day basis.

Contributing to the local economy

Our developments provide a significant investment within a local area at no cost to the public purse.

- On average, each development represents an investment of around **£1.2 million per year** in the local economy by our customers, this is around **£261,300** more than a general needs housing scheme
- Around 60 local companies are employed on a typical development to support our construction team and each scheme creates number of job opportunities once open

- On moving, most residents free up much-needed family homes, with two thirds moving from homes with three or more bedrooms. This has a knock-on effect that stimulates the housing chain and ultimately benefits the first time buyer
- Our developments also help to contribute to the vitality and viability of the local area as our residents typically do their shopping within a mile radius. For example, 80% of our residents use local shops almost daily or often



Affordable housing and other contributions

Our Retirement Living PLUS developments, being a form of "extra care housing", fall within the Town and Country Planning Use Class C2 and are therefore exempt from affordable housing contributions. However, our Retirement Living developments do qualify for affordable housing contributions.

In FY19 we made contributions totalling £7.3m. In addition, while some local authorities have adopted nil or reduced Community Infrastructure Levy (CIL) rates for retirement and/or extra care housing, in the year we made total CIL contributions of £2.8m, and a further total contribution of £1.8m for other community benefits under Section 106 of the Town and Country Planning Act.

97%

of land exchanges on brownfield sites

DOWNSIZING

most customers downsize from family sized homes

80%

of our customers use their local shops most days

Effective planning and design

Social considerations

- Designed with customer in mind
- Engagement with local communities and interested third parties
- Enhanced customer security

Environmental considerations

- Affordable housing contributions
- Designs sympathetic and in keeping with local environment

How we engage with relevant stakeholders

- Planning exhibitions and consultations with local communities
- Meetings with Central Government and MPs
- Local Government planning meetings
- Responding to consultations on planning guidance and regulation

Design teams that understand the needs of our customers, with significant industry experience

Environmental ergonomics are considerably improved for both customers and communities

Climate friendly designs, by reducing car parking spaces and promoting communal living



The Boathouse, Southampton, Hampshire

Our planning and design approach

The Group's in-house specialist planning team deals with all aspects of the planning process, including the monitoring and influencing of emerging relevant national and local planning policies, informing, preparing and executing its planning applications and addressing appeals when necessary.

We take a sensitive approach to design to ensure that our developments not only meet the needs of our customers but are also sympathetically designed to fit in with neighbouring buildings and the wider townscape. We consider the local architectural style and use of materials and always aim to respect the character and appearance of the area.

Our planners are involved in a site from the initial high-level suitability appraisal and then work with our design team to develop proposals for beautiful homes for our customers that will achieve planning consent as quickly as is possible.

Pre-construction community consultation

Our planning team work closely with local planning authorities and also take into account the views of other interested parties who might be affected by our development proposals.

We assess every project individually and align each consultation to the specific needs of neighbours and residents. For each proposal, we will set up a dedicated website, accessible by all, where people can offer feedback, comments and suggestions. This in turn helps us to understand local issues and work with the community.

We will typically hold one-to-one meetings where both prospective and existing residents can meet McCarthy and Stone representatives to discuss their thoughts in a personalised and confidential session. There will also typically be a public exhibition and community newsletter to detail the proposed development in its entirety, including design plans, community involvement and information on the local area and its facilities.

Where appropriate, we also use social media to engage with journalists and other stakeholders. This gives neighbours and other interested parties a further platform to voice their opinions, many of which help inform our designs and approach to construction.

Once we have gathered all the applicable information, we will publish a Statement of Community Involvement, based on all the feedback we have received. This is used for consideration in our planning application.



Hawkesbury Place, Stow-on-the-Wold, Gloucestershire

Pre-construction community consultation *continued*

We listen to feedback received through our consultation period and, where appropriate, we will submit revised plans to take into account concerns raised.

During FY19 we held 57 consultations with local communities.

Planning guidance and Government support

Policy and regulatory change, such as leasehold reform, can affect our business framework, so communication with Central Government enables us to explain how our business model works and how it benefits not only our customers, but ultimately the wider community as well.

Throughout the year, we engaged with Government departments on a variety of issues, including planning, stamp duty, social care and ground rents, making the case for the retirement community industry as a whole.

There were two key developments in FY19:

National planning guidance for councils on older and disabled people's housing

During the year we continued to champion the positive impact of retirement housing and were pleased to read the new national planning guidance for councils on older and disabled people's housing published by the Ministry of Housing, Communities and Local Government (MHCLG) in June 2019.

Local and national planning policy has previously been largely silent on the need for this form of housing, which has affected the number of suitable retirement properties built to date. The new guidance recognises that local authorities should do more to plan for the provision of specialist housing for older people. We were also pleased with the confirmation that retirement communities have a different viability model and should be assessed separately. We will continue to lobby Government for greater recognition of the additional costs and complexities involved in the development and management of retirement communities.

Leasehold reform

In June 2019, we were pleased that the Ministry of Housing, Communities and Local Government (MHCLG) confirmed that the retirement community sector will be permitted to charge an economic ground rent after they are reduced to zero elsewhere. This came after strong lobbying by us and other retirement housebuilders on how we use ground rents to recover much of the construction costs of the significant shared areas that are integral to retirement living.

The shared areas in our developments include communal lounges, restaurants and wellbeing suites. However, these spaces can cost between £1 million and £2 million per development to build. Being able to cover this cost through ground rents ensures our developments continue to deliver direct social benefits to our customers.



Wayfarer Place, Alresford, Hampshire



Linden Place, Solihull, West Midlands

High quality and safe construction

Social considerations

- Health and safety of employees and contractors
- Considerate construction
- Attractive landscaping
- Some developments include stores and gyms

Environmental considerations

- Energy efficiency products
- Limited use of gas in developments
- High levels of insulation
- Waste management and biodiversity

How we engage with relevant stakeholders

- Ongoing relationship management with suppliers and contractors
- Contract and mandate reviews by our Procurement team
- Industry inspections and reviews
- Industry forums

Beautifully designed homes and communal areas

Private outdoor space in the form of balconies, terraces or patios

Five star customer satisfaction rating for our homes over 14 consecutive years

Linden Place, Solihull, West Midlands

Our construction approach

We consistently deliver exceptional build quality while maintaining robust health and safety standards and operating in a socially responsible, sustainable and ethical way.

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 our own Considerate Construction Policy that seeks to minimise the impact of the building work on the local community and environment - hoardings must be properly maintained, deliveries must be at reasonable hours, noise should be controlled and freephone numbers should be displayed should site neighbours have any queries.

The McCarthy & Stone Way was introduced during the year and provides best practice guidance for use on all our sites, including new construction manuals, commercial ways of working processes and standards required to meet health and safety, quality and environmental targets.

We aim to construct sustainable homes incorporating high standards of insulation and energy efficient features.

Some of the initiatives we are currently working on include:

- 51% of our residents said their heating bills were noticeably less than when compared with their previous property
- Re-lamping our older developments with new LED lamps. We have completed eight developments to date, with another 10 developments due to start shortly. The developments which have been completed will have an estimated CO₂ reduction of 52.5 tonnes
- Electricity metering - around 50% of our developments have real-time data meters, (compared to 37% at the end of FY18) allowing us to monitor energy consumption in all our developments

Modern Methods of Construction

In line with our strategy adopted last year, new contemporary product designs have been developed with more efficient layouts that promote the use of Modern Methods of Construction (MMC) and we will commence with our first MMC development during FY20.

MMC is a cost-effective, efficient and quality building solution that will drive improvements to the build process, accelerate build timescales, reduce build costs and enhance margins in line with our build cost reduction strategic objective. Our designs will reduce the average selling price of our homes and help promote the Group's mass market appeal without compromising on quality. Strategic partnerships are being developed to drive forward the roll-out of MMC across future sites. A light gauge steel fully panelised approach and volumetric designs are being developed, which will significantly reduce defects, build time and cost.

There are also several environmental benefits to using MMC, including:

- Sustainability of using different, often greener, innovative materials instead of the traditional brick construction
- More consistent quality by using panels prefabricated in a controlled environment
- Improved energy performance of finished product
- Improved workplace safety as there is less need for working at height
- On-site waste, site noise and dust are greatly reduced
- Reduced traffic flow to the sites

Modern Methods of Construction *continued*

All sites in the pipeline have been subject to a design review panel to ensure best practice and design assurance in line with the new efficient solutions and are expected to reduce cost per apartment by c.£10k by 2021.

In his Spring 2019 statement the Chancellor also announced that from 2025 gas boilers would be banned in all new homes. Our apartments are predominantly constructed with electric heating and we use very few gas appliances in our developments.

In 2019 the Government also passed legislation aiming to bring all greenhouse gas emissions to net zero by 2050. This target will be a big challenge to all housebuilders and will form part of the focus of the CSR Committee over the coming years.

Waste management and biodiversity

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.

We are committed to minimising levels of waste generated by our construction sites as this brings both financial and environmental benefits. Of the 21,592 tonnes of waste generated in FY19 (FY18: 26,655), 658 tonnes went to landfill (FY18: 485). This equates to 3% (FY18: 2%) with the remainder being recycled or diverted from landfill. These figures do not include any timber that was given to local timber recycling projects such as Humber Wood Recycling Project and National Community Wood Recycling Project, which we use for pallet and timber recycling. The amount of timber recycled in that way is not currently measured.

We continue to work with our waste management companies to try and improve this figure, as well as with our suppliers to reduce waste further up the supply chain.

We seek to ensure that all of our developments have high quality outside space for our residents to enjoy.

External landscaping, both hard and soft, forms an integral part of our designs, ensuring that our developments complement their surroundings. Where possible, existing trees and shrubs are retained and new plants added. When required, new trees are incorporated into the design to enhance the setting of the development - not only a benefit to the local environment but also adding amenity and interest for our customers.

Some of our developments include bat houses and swift boxes and we are looking at ways of increasing the biodiversity at our developments going forward.



NHBC Pride in the Job Awards

In 2019, 10 of the Group's Site Managers were quality award winners in the NHBC Pride in the Job Awards. We are proud that our high standards are recognised externally.

In addition, two of the winners went on to win Seals of Excellence. Furthermore, Jeff Blackman went on to receive the Regional Award for the South West and was a nominee for the National Awards.

These awards are the industry's most prestigious awards programme. They recognise the Site Managers who achieve the highest standards of housebuilding and demonstrate excellent qualities in workmanship, leadership, technical expertise and health and safety awareness.



Developments built using responsibly sourced and efficient materials

Modern Methods of Construction (MMC) will significantly reduce defects

Reduce waste going to landfill and minimise our environmental impact

Monitoring emissions for the benefit of all our communities

This section has been prepared in accordance with our regulatory obligation to report greenhouse gas (GHG) emissions pursuant to Section 7 of the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013.

In 2019, our reporting period changed from 1 September - 31 August to 1 November - 31 October. Therefore, this year, to ensure consistency we are reporting three reporting periods and comparing each to the same period in the preceding reporting year.

- 1 September 2018 - 31 August 2019
- 1 September 2018 - 31 October 2019
- 1 November 2018 - 31 October 2019

During our new reporting period, from 1 November 2018 to 31 October 2019, our total Scope 1 and 2 (location-based) emissions from the combustion of fuels and the purchase of electricity were 11,821 tCO₂e. Scope 3 emissions totalled 3,222 tCO₂e. Our Scope 1 and 2 (location-based) emissions decreased by 15% in the year, compared to the same period in 2017/18.

The table below shows our GHG emissions for each reporting period against the preceding period:

| Greenhouse gas emissions in tCO ₂ e | | | | | | | | | |
|---|-----------------------|-----------------------|------|-----------------------|-----------------------|------|----------------------|----------------------|------|
| | 1 Sept 17 - 31 Aug 18 | 1 Sept 18 - 31 Aug 19 | % | 1 Sept 17 - 31 Oct 18 | 1 Sept 18 - 31 Oct 19 | % | 1 Nov 17 - 31 Oct 18 | 1 Nov 18 - 31 Oct 19 | % |
| Combustion of fuels (Scope 1) | 6,703 | 7,166 | +7% | 8,267 | 8,121 | -2% | 7,537 | 6,557 | -13% |
| Electricity purchased for own use (Scope 2: location-based) | 6,394 | 5,495 | -14% | 7,453 | 6,323 | -15% | 6,372 | 5,264 | -17% |
| Electricity purchased for own use (Scope 2: market-based) | 8,279 | 7,772 | -6% | 9,787 | 8,936 | -9% | 8,388 | 7,427 | -11% |
| Total Scope 1 & 2 (location-based) | 13,097 | 12,660 | -3% | 15,720 | 14,445 | -8% | 13,909 | 11,821 | -15% |
| Total Scope 1 & 2 (market-based) | 14,982 | 14,937 | 0% | 18,055 | 17,057 | -6% | 15,925 | 13,984 | -12% |
| Fuel-and-energy-related-activities (Scope 3) | 3,560 | 2,662 | -25% | 4,005 | 3,098 | -23% | 3,393 | 2,653 | -22% |
| Business travel (Scope 3) | 493 | 444 | -10% | 577 | 517 | -10% | 498 | 434 | -13% |
| Waste (Scope 3) | 85 | 135 | +60% | 107 | 158 | +47% | 93 | 135 | +45% |
| Water (Scope 3) | 0.4 | 0.4 | -9% | 0.5 | 0.5 | -5% | 0.4 | 0.4 | -5% |

Methodology

We quantify and report our organisational GHG emissions according to the methodology set out in the Greenhouse Gas Protocol Corporate Accounting and Reporting Standard published by the World Resources Institute. We work with our sustainability consultant, Carbon Credentials, to convert our activity data to tonnes of carbon dioxide equivalent using the UK Government 2019 Conversion Factors for Company Reporting.

This report has been prepared in accordance with the amendment to the GHG Protocol's Scope 2 Guidance; we have therefore reported both a location-based and market-based Scope 2 emissions figure. The Scope 2 market-based figure reflects emissions from electricity purchasing

decisions that McCarthy & Stone plc has made during the reporting period.

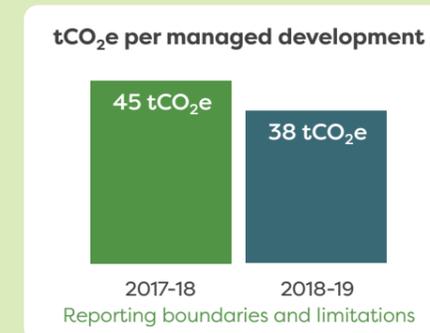
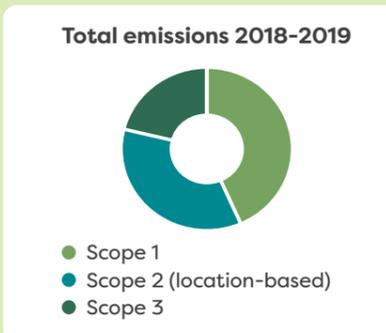
When quantifying emissions using the market-based approach we have used a supplier specific emission factor where possible. If these factors were unavailable, a residual mix emission factor was used. This approach is in line with the GHG Protocol Scope 2 Data Hierarchy.

We have also chosen to report our emissions in relation to the number of managed developments (FY18: 379, FY19: 432).

Greenhouse gas emissions in tCO₂e

| | 1 Sept 17 - 31 Aug 18 | 1 Sept 18 - 31 Aug 19 | % | 1 Sept 17 - 31 Oct 18 | 1 Sept 18 - 31 Oct 19 | % | 1 Nov 17 - 31 Oct 18 | 1 Nov 18 - 31 Oct 19 | % |
|---|-----------------------|-----------------------|------|-----------------------|-----------------------|------|----------------------|----------------------|------|
| Total Scope 1 & 2 (location-based) | 13,097 | 12,660 | -3% | 15,720 | 14,445 | -8% | 13,909 | 11,821 | -15% |
| Total Scope 1 & 2 (market-based) | 14,982 | 14,937 | 0% | 18,055 | 17,057 | -6% | 15,925 | 13,984 | -12% |
| tCO ₂ e per Managed Development (location-based) | 35 | 29 | -15% | 41 | 33 | -19% | 37 | 27 | -25% |
| tCO ₂ e per Managed Development (market-based) | 40 | 35 | 13% | 48 | 39 | 17% | 42 | 32 | -23% |

Reporting boundaries and limitations



We consolidate our organisational boundary according to the operational control approach. Emissions for all significant sites have been disclosed, which includes our offices, construction sites and developments.

The GHG sources that constitute our operational boundary for 2018/19 are:

- **Scope 1:** Natural gas combustion within boilers, diesel combustion within generators and road fuel combustion within vehicles. We did not recharge any refrigerant-based equipment in 2018/19
- **Scope 2:** Purchased electricity consumption for our own use
- **Scope 3:** Emissions associated with the production of fuels and electricity that are consumed by McCarthy & Stone plc, including transmission and distribution losses associated with the consumption of national grid electricity. Additional Scope 3 sources calculated include the transport in vehicles not owned or operated by McCarthy & Stone plc, the disposal of our waste and water consumption at our head office

Assumptions and estimations

Improving our data collection processes has been a key priority this year, however several assumptions have been applied where activity data is missing or not currently collected.

Accurate records of diesel combustion in generators at construction sites were not available in time for reporting. Therefore, an estimation was used based on average diesel consumption at each site as well as available records from procurement.

In some cases, missing data has been estimated using extrapolation of available data from the reporting period.

Improving performance

We monitor energy consumption at our managed properties in detail to identify opportunities to improve energy performance. We have begun a process of collecting more accurate data for construction sites and offices. This will help us to understand more about our consumption and energy use, and to reduce our emissions going forward. As part of our responsibility to comply with the Energy Savings Opportunities Scheme (ESOS), energy audits were performed across a selection of our sites in 2019 to identify energy savings opportunities; we are in the process of implementing the auditor's findings.

Correction to Annual Report

This report differs to the greenhouse gas emission report that was contained in our FY19 annual report. The intensity-based metric in the annual report version had been calculated based on the incorrect number of developments under management at year end. The revised greenhouse gas emission figures, as noted above, will be re-stated in next year's annual report.

Performance record

(FY19 is for the period from 1 September 2018 to 31 October 2019 (i.e. 14 months); previous years are for 12 months from 1 September to 31 August).

| | FY19 outcome | FY18 outcome | FY17 outcome | FY16 outcome |
|--|-----------------|-----------------|-----------------|-----------------|
| Planning and design | | | | |
| Consultations and exhibitions | 57 | 95 | 92 | 133 |
| Number of consultation and exhibition attendees who found it informative | 90.5% | 87% | 84.4% | 79.6% |
| Construction and environmental | | | | |
| Greenhouse gas emissions per managed development (tCO ₂ e) (location-based) | 27 | 37 | 52.5 | n/a |
| Percentage of land exchanges on brownfield sites | 97% | 96% | 92% | 94% |
| Waste to landfill as percentage of waste collected | 3.0% | 2.3% | 1.7% | 5.6% |
| Percentage of developments which have smart meters installed at year end | 50% | 37% | 31% | 22% |
| Employees | | | | |
| PRIDE awards | 696 | 681 | 674 | 572 |
| Percentage of female directors at year end | 27.3% | 25% | 28.6% | 14.3% |
| Percentage of female employees at year end | 75% | 69.1% | 66.6% | 63.8% |
| Percentage of employees over 50 at year end | 46% | 43.1% | 42.7% | 45.9% |
| Employee training courses during the year ¹ | 20,000 | 17,600 | 13,500 | 8,200+ |
| NHBC Pride in the Job Awards | 10 | 20 | 15 | 10 |
| NHBC Seals of Excellence Awards | 2 | 5 | 7 | 2 |
| Health & Safety | | | | |
| RIDDOR incidents – construction sites and offices ² | 8 | 20 | 23 | 9 |
| Annual injury incident rate (12 months to March) | 337 | 643 | 993 | n/a |
| NHBC Health & Safety Awards | 6 | 3 | 2 | 5 |
| Our customers | | | | |
| HBF 5 Star Award | Yes | Yes | Yes | Yes |
| Average number of social activities in our developments per month ³ | c.10,000 | c.2,800 | c.2,300 | c.1,400 |

¹ The number of employee training courses in FY16 was not recorded for the whole year

² Includes RIDDORs in respect of sub-contractors at our sites

³ The number of social activities for FY16 was only recorded for eight months



About this printed report

This year's McCarthy & Stone Social Responsibility and Sustainability Report FY19 is printed using vegetable-based inks on UPM Fine paper, which is made from FSC® certified and traceable pulp sources. It is manufactured in accordance with ISO certified standards for environmental, quality and energy management and it is BRC certified for storage and distribution. The paper is Elemental Chlorine Free* and has been awarded the European environmental award for overall environmental performance (EU Ecolabel). Both the manufacturing mills and the printer are registered to the Environmental Management System ISO14001 and are Forest Stewardship Council® (FSC) chain-of-custody certified. Cedar Group is FSC certified and ISO 14001 certified demonstrating that it is committed to excellence in all sectors in which it operates and improving environmental performance is integral to its strategy. Cedar Group aims to reduce at source the effect its operations have on the environment and is committed to continual improvement, prevention of pollution and compliance with any legislation or industry standards.

*Elemental Chlorine Free (ECF) is a designation for virgin paper that uses a chlorine derivative instead of elemental chlorine for whitening in the pulping process.



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