

Introduction

The Berkeley Group Holdings plc, its subsidiary companies and their joint ventures (together 'Berkeley') develop homes and neighbourhoods in the UK1. Berkeley's business model recognises that it operates in a cyclical property market where developments can take a number of years to progress from inception, through planning and construction, to completion. This means that the turnover of individual Group companies can vary year on year, taking them above and below the £36 million modern slavery reporting threshold. Berkeley makes this modern slavery statement on behalf of all of the Berkeley Group companies and joint ventures, all of whom adopt its terms.

Organisation Structure:

Berkeley operates through autonomous divisions and operating companies, each with its own board of directors. Although each of the companies is run autonomously, there are several functions that are centralised at the Group head office.

Supply Chain:

One of these centralised functions is the 'Call-Off' team, which administers Berkeley's database of approved construction sub-contractors on behalf of the Group companies. Call-Off is responsible for the initial vetting of contractors before their use on developments around the Group and is involved in the ongoing administration of contractors.

Sometimes main contractors are used by the divisions where construction requires a single point for design responsibility or there is a single end-user, such as a care home or school. While there are some limited aspects of the supply chain that are unique to the individual operating companies (for example requirements to use local labour under planning agreements), a review of spending levels indicated that the majority of all operating companies' supply chains come through the Call-Off team, including some labour only contractors. This is a further factor determining that it is appropriate for Berkeley to report on behalf of itself and for subsidiary companies to adopt this report.

A limited quantity of material is sourced directly from suppliers, with the majority of the materials being procured by the contractors engaged to carry out works. Therefore Berkeley is often several steps removed from the procurement of materials. Nonetheless Berkeley exercises a degree of control over the sourcing of supplies used on developments and has a long history of sourcing sustainable materials for use on its developments.

Berkeley aims to make a significant, long-term contribution to the environment and the social and economic fabric of the communities in which it works and its goal is to work with its supply chain to help it achieve this.

Internal Dialogue:

The first step that Berkeley took to investigate the risk of modern slavery was to carry out an internal dialogue with Commercial Directors from around the Group, representatives from Group Legal, Group Sustainability and senior management. From this it became evident that modern slavery is not an isolated issue. It is also closely linked to child labour and must be viewed in the wider context of human rights.

It was acknowledged that Berkeley already has a culture of respect and support for human rights, which is implicit in all of its pre-existing corporate policies but that more work was needed to understand properly the possible risk of modern slavery and child labour in its supply chain. Although there has been a great deal of work already carried out looking at the supply chain from an environmental sustainability standpoint, this is not a guarantee that the supply chain is free from modern slavery and child labour. It was agreed that this is a complex area of risk, given the number of possible links in the supply chain and lack of direct Berkeley control, therefore measures need to be carefully thought through.

Actions taken to combat modern slavery

The following actions were informed by the dialogue process and represent an initial starting point to the Group's response as it was acknowledged that the Group's actions will inevitably evolve as understanding of the risks of modern slavery and child labour occurring in the supply chain improves over time.

Initial Contractor Assessment:

Berkeley requires all new contractors to submit an 'Application for Inclusion' questionnaire before they will be approved for working on any of its sites. Part of the questionnaire requires contractors to provide information on sustainability, both environmental and social. In April 2016 this was supplemented to include a requirement to provide information on measures that they are taking to combat modern slavery and child labour in their supply chain.

Berkeley selects the contractors that it uses based on a number of factors and does not always select the offering with the cheapest price when tendering. Under 'Our Vision', Berkeley has made a commitment to procure on best overall value, which includes sustainability and health and safety requirements. This is because the Group recognises that long term value is more important than short term cost savings.

Contract Terms:

A key method that Berkeley uses to exercise control and influence over its supply chain is the contractual terms that it agrees with its contractors and suppliers. The Call-Off team uses a bespoke contract that all of its site contractors must sign up to.

This contract was updated in October 2015 to include robust anti-modern slavery provisions, including 'flow down' provisions to ensure that the obligations are passed on down the supply chain and not restricted to the first link in the chain.

Site checks:

Berkeley carries out site inductions for all workers at its construction sites and right to work checks on all of its direct employees. These act as the Group's first line of defence against modern slavery occurring on its sites. Company processes will support these checks and Berkeley will promptly investigate in the event that there is a suspicion of modern slavery on any site.

Future planned actions

Further actions aimed at combating the risk of modern slavery were developed before the end of Berkeley's 2015/16 financial year for implementation during the 2016/2017 financial year. These include:

Purchase order terms:

The Group has agreed and will implement updates to the Purchase Order terms and conditions for the supply of goods and small scale services that do not warrant the more extensive Call-Off contract.

Group Wide Policy:

The internal dialogue revealed that the risk of child labour being used in the supply chain is closely related to the risk of modern slavery. As both of these come under the umbrella of human rights, these will be combined into a single human rights policy, with a section dedicated to modern slavery and child labour. The 'Human Rights, Modern Slavery and Child Labour Policy' will be submitted to the Board for approval in the financial year 2016/17.

Survey and risk assessment:

An initial informal risk assessment carried out in February 2016 identified those contractors that may be at a higher risk of modern slavery and child labour. These, in conjunction with all major Group contractors (as determined by total contract value over the preceding years) will be surveyed on the measures that they are undertaking to combat the risk of modern slavery and child labour in the supply chain and their views on the associated risks. This survey will be rolled out over the 2016/17 financial year.

The responses from this will be used as part of a Group wide formal process to assess the risk across the whole supply chain. This will then inform additional actions to combat the risk of modern slavery and child labour.

Site awareness and capacity building:

Berkeley has produced posters and fliers that are to be rolled out across the business during the current financial year to make all workers aware of the warning signs of modern slavery and how to report these internally so that they can be investigated. Additionally the Group will work to build its capacity for supplier due diligence over the coming year and will seek to understand how best to deploy its resources to combat the risk of modern slavery and child labour in its supply chains. Berkeley will also seek to introduce training for its staff on the warning signs of which they should be aware when visiting overseas suppliers.

¹ Although the Group does have several overseas offices (Beijing, Shanghai, Hong Kong, Singapore and Dubai), these are focused on sales and marketing. They are not involved in any aspect of construction or development. There are 23 overseas employees in total.