



Crest
NICHOLSON

2005



CORPORATE RESPONSIBILITY REPORT 2005

STRIKING THE BALANCE BETWEEN ECONOMIC, SOCIAL AND
ENVIRONMENTAL RESPONSIBILITIES

BUILDING HOMES. CREATING COMMUNITIES

Executive Summary
Chief Executive's Statement <ul style="list-style-type: none">• Sustainable Development Vision• Sustainable Development Strategy• Performance• Continual Improvement
Governance
<ul style="list-style-type: none">• Social Responsibility• Stakeholder Engagement• Human Resources• Occupational Health and Safety
Community and Environment
<ul style="list-style-type: none">• Community Building• Environmental Stewardship
Marketplace
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Verification Statement

Scope

This report covers Crest Nicholson's social and environmental performance for the financial year to 31st October 2005, unless otherwise stated.

Report format

The content of this report has been set out to meet our business requirements and those of our main stakeholders. We have also followed the Global Reporting Initiative (GRI) guidelines where possible. This enables performance comparison within the development sector and across other business sectors. Our main non-financial achievements and areas for

improvement are summarised in the Chief Executive's Statement and in more detail in each section of the report. Detailed tables of GRI economic, environmental, social and society indicators are provided in the 'Sustainable Development' section of our web site www.crestnicholson.com under 'Reports'. Additional information can also be found on our web site under 'Policy' and 'Case studies'.

Data

Crest Nicholson's Board and Committee for Social Responsibility have reviewed and approved this report following verification by an independent external consultant. Within

the Sustainable Development section, on our web site, we indicate where we do not have data or the management systems to collect certain data. Where sector or national benchmarks are not available we compare our performance against previous years' measurements. We have used re-stated data from the 2005 Annual Report where relevant. In some cases financial data has been used to estimate environmental performance, using conversion factors. In such cases, the measurements are noted as estimates.



Crest
NICHOLSON

2005



EXECUTIVE SUMMARY

STRIKING THE BALANCE BETWEEN ECONOMIC, SOCIAL
AND ENVIRONMENTAL RESPONSIBILITIES

SUSTAINABLE DEVELOPMENT VISION • SUSTAINABLE DEVELOPMENT STRATEGY •
PERFORMANCE • CONTINUAL IMPROVEMENT

Chief executive's statement

“Crest Nicholson is a residential and mixed-use development company with emphasis on creating sustainable communities”

We are pleased to highlight the key changes we have made to our business in 2005 and explain how we integrate the economic, social and environmental aspects of our operations into our management systems. This report sets out how we performed against the targets we set in our Corporate Responsibility report 2004 and our sustainable development plans for 2006 and beyond. We also state the challenges that we face and the progress we intend to make.

Sustainable Development Vision

Our vision is to increase shareholder value by developing sustainable communities where people can live, work and play in high quality built and natural environments. We continue to deliver a supply of affordable homes that will help meet the demands of a broader section of society. By this approach Crest Nicholson believes it can increase the quality of urban life whilst making a contribution to global sustainability.

Sustainable Development Strategy

Sustainable development, design innovation and build quality were the core values that differentiated us in the marketplace in 2005. This enabled Crest Nicholson to become the partner of choice for the public and private sectors. Our strategy is to work with local planning authorities, housing associations and other land owning agencies in raising social and environmental standards in main stream housing and community regeneration. We have adopted modern methods of construction that exceed the increasing standards set for affordable, secure and flexible homes. By using innovative contractors and suppliers we are increasing the efficiency of our homes and will make renewable energy, waste reduction and water conservation economically viable. As climate change is a potential commercial risk to Crest Nicholson, it has been acknowledged by our Risk Review Committee together with other social and environmental issues. Crest Nicholson also plans to select contractors with good 'climate change' capabilities, developing and promoting its own expertise in climate change design and there by future proofing our business and reputation.



IMAGE: STEPHEN STONE
CHIEF EXECUTIVE



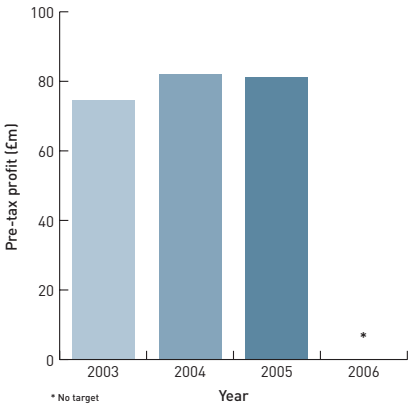
IMAGES: INGRESS PARK REGENERATION

Performance

This section provides information on the Group’s performance in meeting its commitments from 2004; the key performance indicators for 2005 and targets set for 2006. Data for financial year 2003 is also provided for comparison.

Financial sustainability

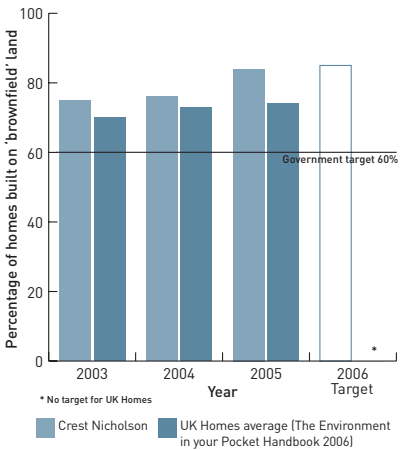
“We increased shareholder value through sustainable development and community provision, achieving a strong set of results in challenging market conditions.”



FINANCIAL SUSTAINABILITY: GROUP PRE-TAX PROFIT

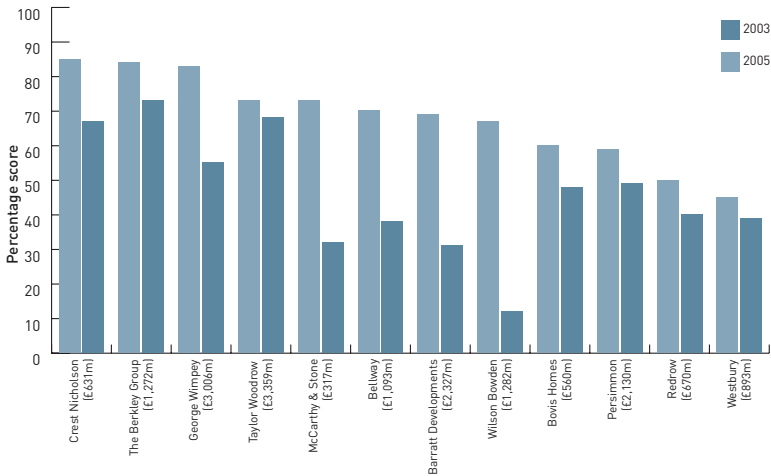
Land resources

“By following our ‘brownfield’ land strategy we exceeded the UK Government’s target of 60% of our homes being built on previously used land. We also added value to this land through sustainable development and our housing portfolio value continued to rise.”



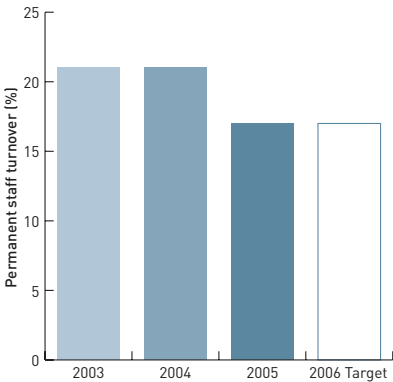
LAND RESOURCES: HOMES BUILT ON 'BROWNFIELD' LAND

Corporate social responsibility
“We improved ethical, social and environmental governance and achieved joint top position in the WWF sustainable housing league table. We remained in the Business in the Community, Top 100 Companies that Count and retained our membership of the FTSE4 Good Index Series.”



CORPORATE SOCIAL RESPONSIBILITY: WWF, INSIGHT INVESTMENT AND HBOS HOUSE BUILDING COMPANY RANKING BASED ON SCORES AFTER ENGAGEMENT WITH PARTICIPANTS, IN 2003 AND 2005 (BI-ANNUAL BENCHMARKING)

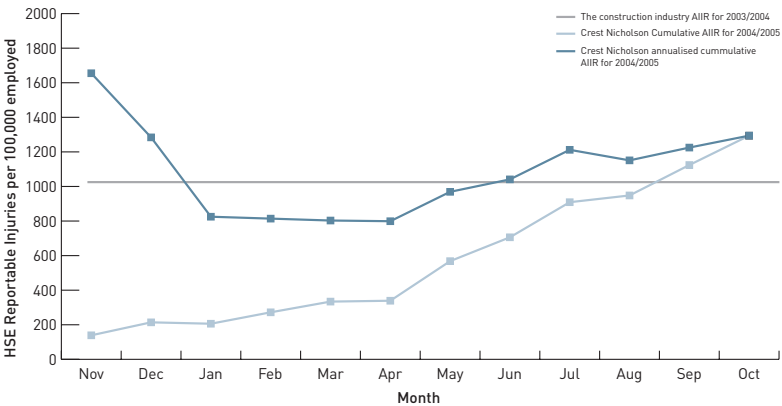
Human resources
“We progressed implementation of the annual staff appraisal system to encourage employee performance. We also continued our sustainable development consultation workshop programmes with project teams, contractors and suppliers at Park Central, Birmingham and Harbourside, Bristol. Staff turnover reduced to 17%.”



HUMAN RESOURCES: PERMANENT STAFF TURNOVER

Occupational Health and Safety

“We continued to maintain effective policies, procedures and standards and reduced the total number of incidents. However, we are yet to achieve our target of maintaining the Annual Injury Incident Rate (AIIR) below the average rate for the sector, which we will be driving forward as part of our commitment to continual improvement.”



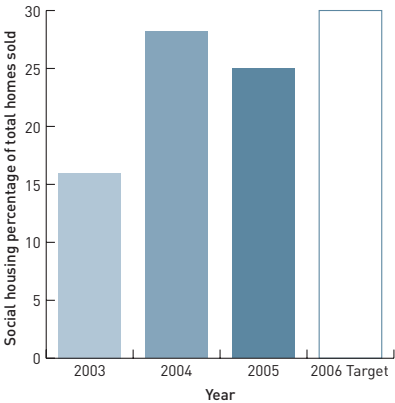
- The construction industry AIIR for 2003/2004 was 1,023 reportable injuries per 100,000 employed. Published in 'Health and Safety Statistics Highlights 2003/2004' by the Health and Safety Commission (HSC)
- Crest Cumulative AIIR for 2004/2005 is the total number of Reportable Injuries notified to the HSE (38) divided by the Average Number Employed in the same period (2937) multiplied by 100,000 = 1,294
- Crest Projected AIIR for 2004/2005 has estimated the annual number or RIDDOR Reportable incidents based on the current occurrence rate.

38 incidents have been reported in 12 months giving an average reportable rate of 3.166 per month.

OCCUPATIONAL HEALTH AND SAFETY: ANNUAL INJURY INCIDENCE RATE (AIIR)

Community building

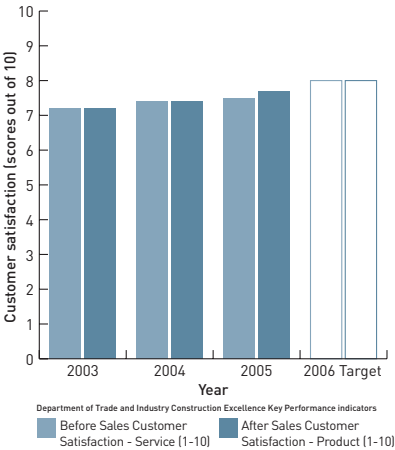
“We continued the long term growth in the provision of affordable homes against a slow down in housing authority programmes and still exceeded our target of 550 homes by 13%. We achieved only a small increase in build sites being registered to the Considerate Constructors Scheme.”



COMMUNITY: PERCENTAGE OF HOMES BUILT FOR SOCIAL HOUSING

Marketplace

“We improved environmental procedures for the procurement of modern methods of construction, waste management, energy supply and paper. We were successful in the ODPM ‘Design for Manufacture Competition’ for affordable and sustainable homes. We also increased customer satisfaction and sales of open market housing.”



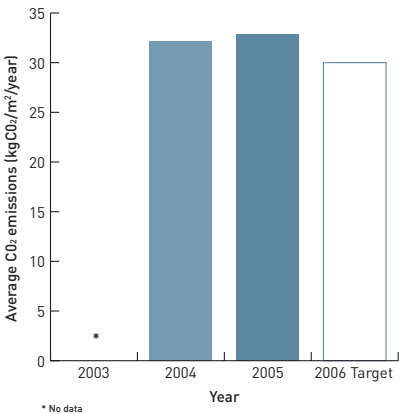
MARKETPLACE: CUSTOMER SATISFACTION
DEPARTMENT OF TRADE AND INDUSTRY
CONSTRUCTION EXCELLENCE KEY
PERFORMANCE INDICATORS

Environmental stewardship

Our priority was to reduce environmental impact and to improve the natural and built environments.

Climate change and carbon dioxide emissions

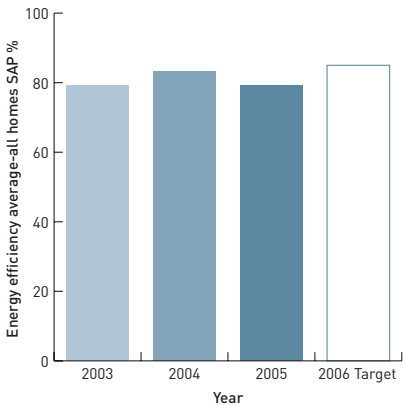
“For the first time we measured total ‘greenhouse gas’ emissions for our offices, car fleet and build sites at 5,576 tonnes of carbon dioxide equivalent. We aim to reduce this figure on average by 4% per year by reviewing our car fleet policy and switching energy supplier. We also estimated predictive carbon dioxide emissions for our homes which we aim to reduce in the future through modern methods of construction and insulation.”



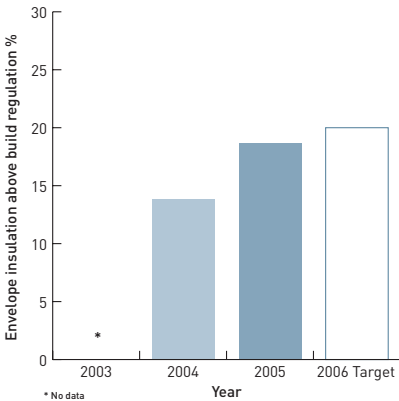
CLIMATE CHANGE : CARBON DIOXIDE EMISSIONS
USING ECOHOME CERTIFICATE DATA

Home energy efficiency and insulation

“Energy efficiency ratings remained high due to increased insulation and the use of high energy efficient boilers. These added value to our homes by helping to reduce customers energy consumption, bills and carbon emissions.”

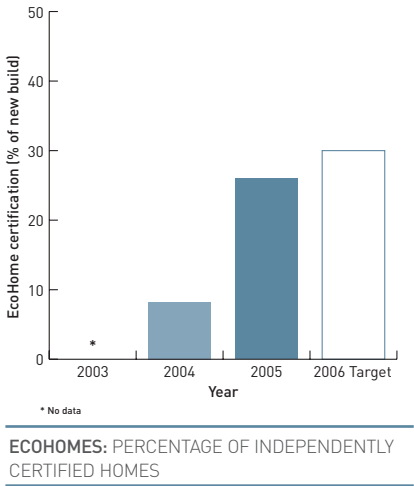
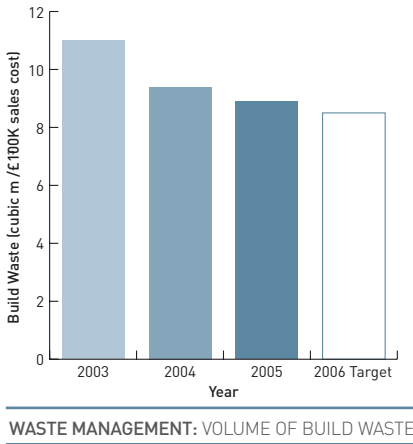


CLIMATE CHANGE : HOME ENERGY EFFICIENCY
USING STANDARD ASSESSMENT PROCEDURE
(SAP) CERTIFICATE DATA



CLIMATE CHANGE : HOME INSULATION
PERCENTAGE ABOVE BUILDING REGULATIONS

Build site waste management
“Build skip waste was reduced for the third consecutive year and the cost of waste was kept below 0.5% of build costs. Our waste management system introduced more segregation and recycling.”



EcoHomes

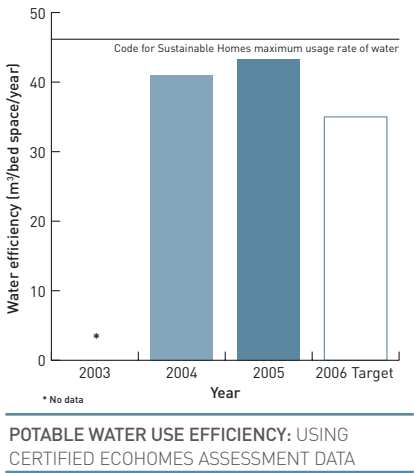
“We increased the number of homes independently certified under the EcoHomes system achieving more ‘good’ ratings but no ‘very good’ ratings compared to the previous year. However, we established a record number of ‘very good’ EcoHome and carbon neutral development schemes in the planning system.”

Potable water use

“We reviewed our mandatory trading agreements and specifications for domestic water appliances and ensured the average home water efficiency was below the maximum of 46 m³ / bed space / year to be set by the proposed ‘Code for Sustainable Homes’.”

Environmental protection

“A zero tolerance was maintained on environmental pollution prosecutions and fines as management was informed of rapidly changing environmental legislation and more robust emergency preparedness and response procedures.”



Continual improvement

Areas for improvement in 2006 are as follows:

Corporate Governance

- To review social and environmental risks and integrate them into the corporate risk register.
- To improve performances in business investment benchmarking indexes.
- To participate in the 2006 Carbon Disclosure Project.

Human Resources

- To maintain a low level of staff turnover.

- To progress implementation of the annual staff appraisal system to the next level.
- To progress involvement in meeting build sector skill shortages and apprenticeship schemes.

Occupational Health and Safety

- To reduce the annual injury incident rate (AIIR) below the construction industry average.
- To continue to improve the Group occupational health and safety management system.

Community planning and design

- To embrace the principles of sustainable community planning, flexible living spaces and security.
- To establish the use of modern methods of construction for affordable and sustainable housing.
- To increase numbers of affordable homes.
- To reinforce our commitment to the Considerate Constructors Scheme registration.



IMAGE: KINGS WARREN, NEWMARKET - LINKING COMMUNITIES



IMAGE: PARK CENTRAL, BIRMINGHAM - WORKING IN A TRUE PARTNERSHIP WITH BIRMINGHAM CITY COUNCIL OPTIMA COMMUNITY ASSOCIATION AND EXISTING RESIDENTS

Environmental planning and design

- To maintain a high percentage of homes built on 'brownfield' sites.
- To implement sustainable development and climate change procedures for all our staff involved in development.
- To apply modern methods of construction to increase energy efficiency and reduce build waste.
- To promote and apply the selection of appropriate micro-renewable energy technologies.
- To go beyond future legislation on energy, water and waste management efficiency.
- To improve the Group wide office campaign for environmental good practice.
- To complete an environmental review of our car fleet in partnership with the Energy Saving Trust.
- To increase our performance in EcoHomes and the forthcoming Code for Sustainable Homes.

Contractors and Suppliers

- To establish climate change procedures for selecting key build site contractors.
- To form partnerships with contractors who have renewable energy technology skills.
- To implement a national waste management system for waste segregation and recycling.
- To improve build site environmental good practice, emergency preparedness and response.
- To improve procurement of energy efficiency rated goods.

Sales, Marketing and Customer Services

- To provide training and awareness for all Sales and Marketing personnel.
- To complete a survey of customer comfort levels in units certified as EcoHomes 'Good'.
- To inform customers of future energy, water and waste efficiencies including renewable energy.
- To introduce a customer sustainable lifestyle guide.
- Implement the Waste and Resources Action Programme on the use of recycled paper policy.
- Develop and market our expertise and reputation in homes for the future.



IMAGE: PARK CENTRAL BIRMINGHAM - WASTE SEGREGATION AND RECYCLING



Crest
NICHOLSON

2025



GOVERNANCE

STRIKING THE BALANCE BETWEEN ECONOMIC, SOCIAL
AND ENVIRONMENTAL RESPONSIBILITIES

SOCIAL RESPONSIBILITY • STAKEHOLDER ENGAGEMENT
HUMAN RESOURCES • OCCUPATIONAL HEALTH AND SAFETY

Social responsibility

Sustainable Development policy
'The Board recognises that economic, environmental and social responsibilities must be linked to clear commercial objectives if shareholder value is to be increased through high levels of corporate governance'.

Policy issues

- 1 Maintain effective ethical, social and environmental management systems.
- 2 Measure performance against ethical benchmarks set by non-governmental organisations.

Performance

- Progressed implementation of Crest Nicholson's Sustainable Development policy, including climate change strategy, through the board level Committee for Social Responsibility.
- Gained joint top position in the WWF and Insight Investment corporate responsibility table for sustainable house builders.
- Remained within the Business in the Community 'Top 100 Companies that Count' index and the FTSE4Good Index Series.

Management

The Chief Executive has specific responsibility for corporate social responsibility and climate change as Chairman to the Committee for Social Responsibility. The management system model for integration is illustrated on page 15. The Group Environment Manager implements procedures and communicates the risks and opportunities through existing management structures. In 2005, Crest Nicholson committed to monitor and reduce greenhouse gas emissions and promote the use of renewable energy.

WWF and Insight Investment benchmarking 2005



Crest Nicholson's corporate responsibility position was assessed against the UK's leading house builders. In 2005 Crest Nicholson moved up to joint first position in the corporate responsibility league table, from fifth position in 2003. The Group performed well due to an "increasingly comprehensive, strategic and systematic approach in responding to Government policy and market imperatives to deliver sustainable homes and communities".



Business in the Community and FTSE4 Good index series 2005



Crest Nicholson performed well in the Business in the Community index areas of social and environmental strategy and integration of corporate responsibility. Market place and work place management performance was also outstanding. By meeting the criteria of the FTSE4 Good index series Crest Nicholson is improving the communications of its Human Resources policy, stakeholder engagement and environmental sustainability management for the third consecutive year.



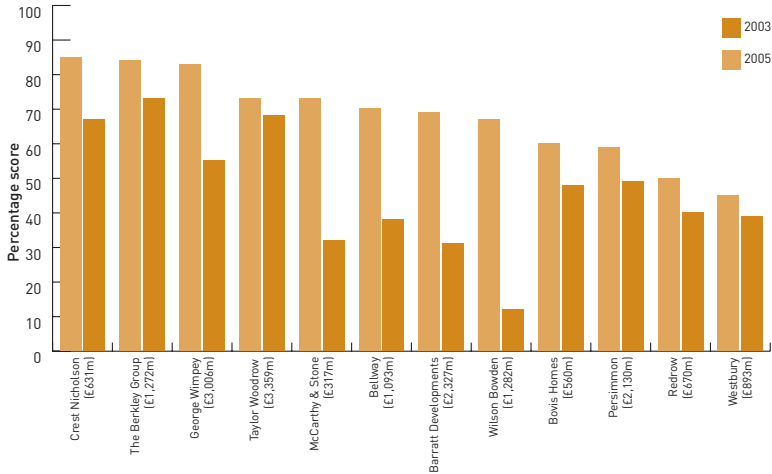
Voluntary initiatives and donations

Crest Nicholson engages in voluntary initiatives with donations of time in kind and subscriptions to charities as detailed in the 'sustainable development' section of www.crestnicholson.com. In March 2005 the Group made a commitment to The Variety Club Children's Charity that provides support to sick, disabled and disadvantaged children. Fund raising activities generated in excess of

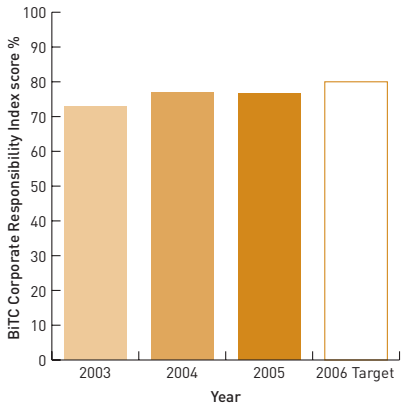
£80,000, sufficient to fund four Sunshine Coaches, a lifeline for underprivileged children to experience life beyond the confines of their homes and schools. Both employee and supply contributions made this possible.

Continual Improvement

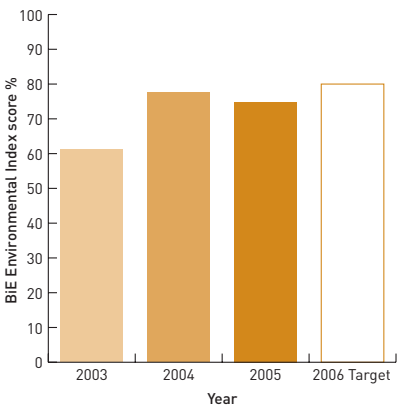
- To review social and environmental risks and integrate them into the corporate risk register.
- To support the WWF and HBOS in their '1 Million Sustainable Homes Campaign'.
- To participate in the 2006 Carbon Disclosure Project to record responses to climate change.
- To participate in the FTSE4 Good EIRIS survey.
- To review subscriptions to charitable organisations.



SOCIAL RESPONSIBILITY: COMPANY RANKING IN THE WWF, INSIGHT INVESTMENT AND HBOS ONE MILLION SUSTAINABLE HOMES CAMPAIGN



SOCIAL RESPONSIBILITY: BITC CORPORATE RESPONSIBILITY INDEX SCORES



SOCIAL RESPONSIBILITY: BiE BUSINESS IN THE ENVIRONMENT INDEX SCORES

Social Responsibility

Social responsibility is the integration of the economic, ethical, social and environmental management systems within the Group. Corporate governance relating to centralised financial controls and risk identification are recorded in the Annual Report and Accounts 2005.

Sustainable Development policy

'The Committee for Social Responsibility will monitor review and report on all policy commitments and objectives annually. The annual

Corporate Responsibility Report and supporting monitoring programmes should ensure our sustainable development objectives and targets are met and communicated to all stakeholders.'

Crest Nicholson's management flow diagram illustrates how existing economic, social and environmental responsibilities are continually integrated and improved within existing management systems.



TOP AND BOTTOM: THE DONATION OF A SUNSHINE COACH TO THE VARIETY CLUB

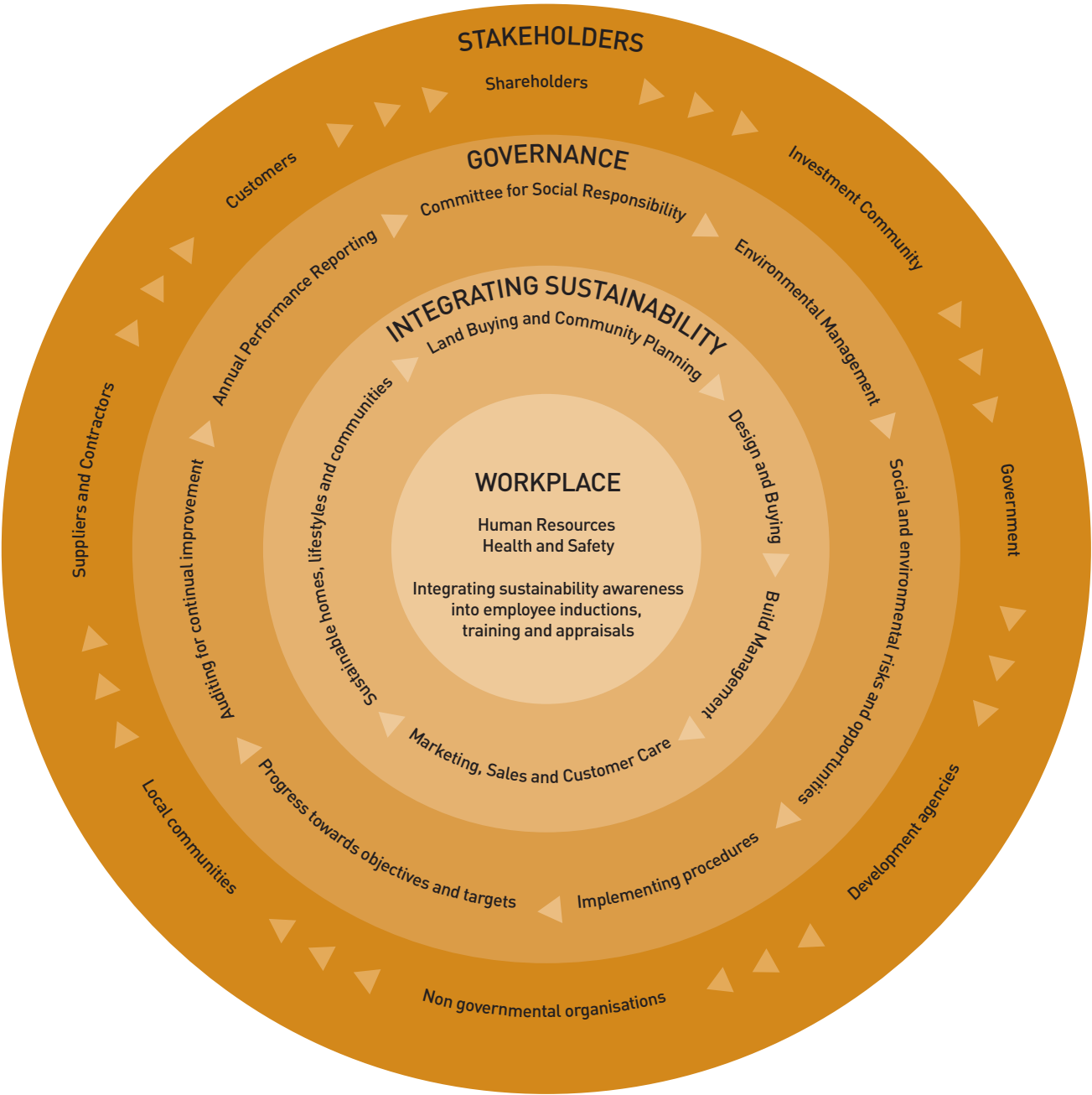


IMAGE: SUSTAINABLE DEVELOPMENT MANAGEMENT SYSTEM MODEL

Stakeholder engagement

Sustainable Development policy
'A committee for social responsibility has been established to develop positive relationships with all of our stakeholders – shareholders, employees, customers, development partners and the communities that we create'.

Policy issues

Significant social and environmental issues such as customer satisfaction, climate change, renewable energy, the 'green belt', waste management, site safety, community security and affordable homes were identified as significant in 2004. Actions on these issues have been taken in 2005 and documented in the following sections.

Performance

- Provided secure and well managed sustainable communities delivering good services in high quality built and natural environments.

- Contributed to urban regeneration and a decent standard of living by providing affordable and mixed tenure residency.
- Engaged with Government on the Sustainable Communities plan, water efficiency in domestic dwellings and the urban environment.
- Improved communication of Corporate Social Responsibility performance.

This year feedback on the Corporate Responsibility Report 2004, including policy, management systems and performance, was reported via an independent web site consultation. Some of the main findings were as follows:

- 52% of online stakeholder feedback came from corporate social responsibility professionals, students and non-governmental organisations followed by academia, investors and consultants.
- 67% of stakeholders thought that Crest Nicholson's Corporate Responsibility Report 2004 was better than others in the sector.

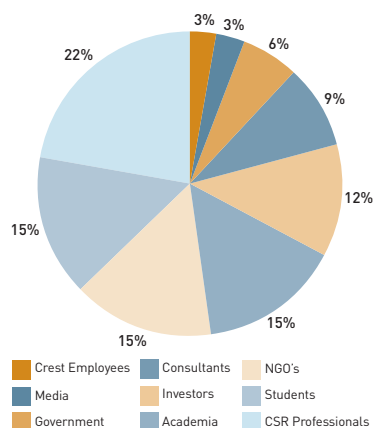


IMAGE: PUBLIC EXHIBITION AND CONSULTATION AT AYLESBURY, BUCKINGHAMSHIRE

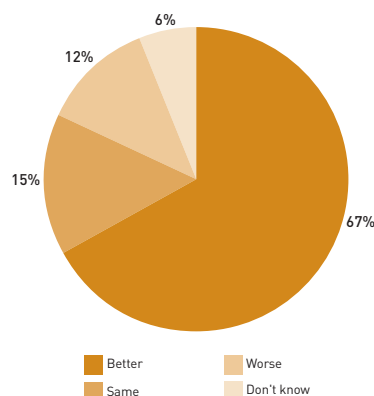
- 37% of stakeholders thought that Crest Nicholson's Corporate Responsibility Report 2004 was better than others across all sectors.
- 54% of stakeholders thought that Crest Nicholson's Corporate Responsibility Report 2004 had changed their opinion of the Company in a positive way.

Stakeholder comments for improvement

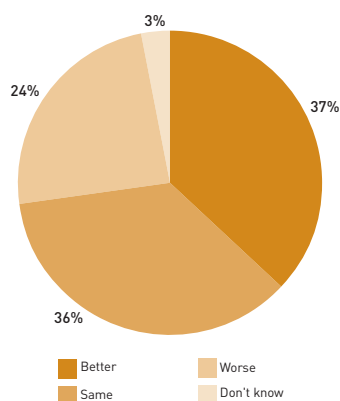
Sector professional	"...consider an overview of company targets and some external voices in way of stakeholder feedback"
Investor Analyst	The online report "could be an interactive html with index and page numbers"
NGO	"...would like to see some stakeholder comment e.g. from wildlife trusts"



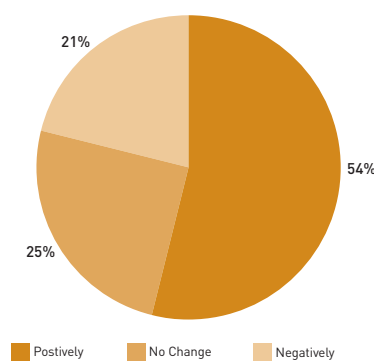
STAKEHOLDER ENGAGEMENT: ONLINE
STAKEHOLDER FEEDBACK RESPONDENTS
BY GROUP



STAKEHOLDER ENGAGEMENT: COMPARISON
WITH OTHER REPORTS IN THE SECTOR



STAKEHOLDER ENGAGEMENT: COMPARISON
WITH OTHER REPORTS ACROSS ALL SECTORS

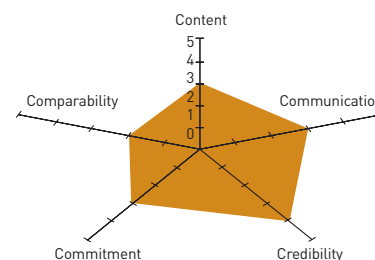


STAKEHOLDER ENGAGEMENT: HAS IT CHANGED
PEOPLE'S OPINION OF CREST NICHOLSON

- Crest Nicholson stakeholders thought that the Corporate Responsibility Report 2004 scored highest in credibility followed by commitment, content and communication. Comparability criteria were rated the lowest.

Continual improvement

- To improve corporate responsibility reporting through the development of consistent key performance indicators and stakeholder comment.
- To establish planning, design and specification check lists for climate change awareness, renewable energy options, water efficiency and security.
- To establish modern methods of construction for more affordable homes with greater energy efficiency, flexible living spaces and construction waste minimisation.
- To encourage good site practice and persuade contractors to sign up to the 'Considerate Constructors Scheme' in order to reduce impacts on the local community and environment.



STAKEHOLDER ENGAGEMENT: AVERAGED SCORE
PER CATEGORY

Human resources

Sustainable Development policy

Crest Nicholson's Sustainable Development policy for continual improvement is addressed in employee induction and training.

Human Resource policy

Human Resource policy, objectives and procedures are communicated via an employee handbook, the Company intranet and staff presentations.

Policy issues

- 1 Meet the skill requirements of the business and employee retention targets.
- 2 Establish equal opportunities, life long learning and respect for people.
- 3 Provide a safe, professional and stable work place environment.

Performance

- A positive application of equal opportunities has led to a 3% increase in female employees.
- Staff turnover reduced to 17% in line with effective human resource policies.
- Staff appraisal progressed while employment creation reduced due to market conditions.

Key Performance Indicators	2003	2004	2005	2006 target
Number of employees	899	887	860	-
Employment creation (net %)	5%	5%	0%	-
Permanent staff turnover	21%	21%	17%	17%
Training-average hours / employee	-	15 hrs	15 hrs	20 hrs
Employee share ownership (100% eligibility after qualification period)	40%	35%	40%	40%

- No targets/not measured

Equal Opportunities

An updated Equal Opportunities policy was made available to employees on the intranet. The Group continues to support part-time and flexible working for both men and women.

Employee retention and development

Labour turnover of staff during the year was 17%, an improvement over 2004. Career development plans will

continue year on year with the roll out of Performance and Development Reviews (PDR). There have been a record number of internal promotions, some 41, during the period.

Training and skills management

The Group offers a variety of training solutions to meet the needs of the business and its employees. These include on the job training, formal off

the job courses, work related projects, coaching and secondments. In addition National Construction Week is supported and the introduction of young people into the industry through local community initiatives is promoted.

Welfare and benefits

A comprehensive employee assistance programme is available to all employees via the Company intranet. Easy to read guides relating to stress management, whistle blowing, bullying and harassment are accessible. A further invitation to participate in a SAYE share scheme was offered and the Group also encouraged those eligible to participate in a Share Incentive Plan.

Continual improvement

- To establish an apprenticeship scheme and roll out the programme to all regions.
- To meet with local further education colleges to view their facilities and courses.
- To employ 12 apprentices to address the current skill shortage.
- To conduct a corporate social responsibility survey of all employees to understand their opinions on the social and environmental aspects of their business activities, product and services.



IMAGES: EMPLOYEE HANDBOOK

Occupational health and safety

Sustainable Development policy

'Project directors to develop good local relations, raise site health and safety standards and improve control over environmental impacts'.

Occupational Health and Safety policy

'To ensure... the health, safety and welfare of its employees while they are at work and of others who may be affected by the Group's operations and undertakings.'



IMAGE: LORD HUNT, MINISTER OF HEALTH AND SAFETY (CENTRE) WITH PAUL MEADE, PROJECT CO-ORDINATOR FOR PARK CENTRAL, BIRMINGHAM AND PAMELA FOLSOM, HEALTH AND SAFETY EXECUTIVE INSPECTOR

Policy issues

- 1 Communication of the health and safety policy and management system.
- 2 Establishment of the risk assessment procedure (HSP/003).
- 3 Reporting of performance on injuries, diseases and dangerous occurrences, Health and Safety Executive enforcement and training and inspection.

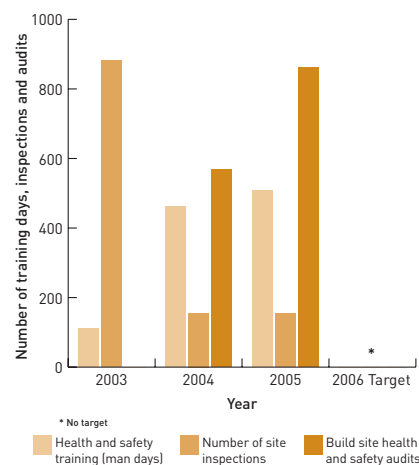
Performance

- Improved ways to measure performance by using a balanced scorecard system.
- A total of 216 employees attended training programmes.
- Reduction of injuries, incidents and days of absence.
- Health and Safety Executive improvement notices decreased.
- Royal Society for the Prevention of Accidents merit award for continuing excellence.

During the year the regional businesses have managed over 60 construction projects and reported accurate monthly performance data based on the OHSAS 18001 specification. The balanced scorecard for measuring performance is reported to the Main Board of Directors on a monthly basis.

Continual improvement

- To continually improve the corporate Occupational Health and Safety management system.
- To continually improve Occupational Health and Safety performance.
- To maintain the Annual Injury Incident Rate (AIIR) below the construction industry average.
- To maintain effective health and safety policies, procedures and standards.
- To monitor and keep up to date with industry best practice.



Key Performance Indicators	2003	2004	2005	2006 target
1 Reporting of injuries				
Injury accidents (0 absence)	-	277	232	-
Lost time injury (1-3 days absent)	-	-	25	-
Lost time injury (3 days absent)	-	41	38	-
Fatal (RIDDOR)	0	0	0	-
Ill health incidents	-	0	0	-
Total incidents	-	318	295	-
Number of days absence (injury lost time)	-	571	392	-
2 Other RIDDOR Reports				
Members of the public	-	-	2	-
Site visitors	-	-	0	-
Delivery drivers	-	-	1	-
Dangerous occurrences	-	-	1	-
Total incidents	-	-	4	-
3 Health and Safety Executive (HSE) Enforcement				
HSE inspector visits	-	-	18	-
Complaints made to the HSE	-	-	4	-
HSE Prosecutions	-	-	0	-
HSE Prohibition notices	-	-	1	-
HSE Improvement notices	2	1	0	-
Annual Injury Incident Rate (AIIR)/Sector	-	1266/1172	1294/1026	Below Sector AIIR



LEFT AND TOP RIGHT: A VISIT FROM WOODVIEW SCHOOL TO PARK CENTRAL, BIRMINGHAM

BOTTOM: TEACHING CHILDREN ABOUT DANGERS ON BUILDING SITES



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2005



COMMUNITY AND ENVIRONMENT

STRIKING THE BALANCE BETWEEN ECONOMIC, SOCIAL
AND ENVIRONMENTAL RESPONSIBILITIES

COMMUNITY BUILDING • ENVIRONMENTAL STEWARDSHIP

Community building

Sustainable Development policy

'The Group is seeking to achieve partnership in community regeneration and the provision of housing to a broad section of society... to help promote local employment by forming partnerships with voluntary groups to help train the unemployed'.

Policy issues

- 1 To meet the demand for affordable homes and viable communities by taking into account all stakeholder requirements in partnership with housing associations.
- 2 To deliver more secure neighbourhoods, high environmental standards and a good quality of life.
- 3 To provide social funding, employment and help through training and donations.

Performance

- The Group committed to the Government's Sustainable Communities agenda by planning for new ranges of affordable, flexible and secure sustainable homes.
- In 2005 the social housing target of 550 homes was exceeded and the Group is on target for achieving 30% of total sales by the end of financial year 2006.

- The average home selling price increased slightly against an increase in open market prices.

Affordable homes

A consortium led by Crest Nicholson for the Office of the Deputy Prime Minister's (ODPM) Design for Manufacture competition has resulted in the creation of affordable and sustainable low density housing using Modern Methods of Construction (MMC). The concept is design directed and demonstrates how strong concepts can combine flexibility and aesthetics.

Planning safe and secure communities

The creation of sustainable homes and communities has been achieved with a variety of house and apartment types that address the challenges posed by individual sites. This approach to master planning ensures variety, enhances character and creates a feeling of safety and security. Formal and informal spaces and street networks are co-ordinated through strong frontages, scale and the treatment of hard surfaces and boundaries. This makes for high quality



IMAGE: RENNY LODGE COMMUNAL AREAS

open space that retains existing features and ensures that the environmental benefits of each site are optimised.

Meeting future needs

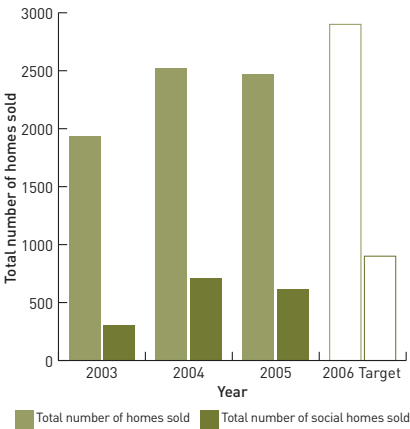
Design for Manufacture homes satisfy the aspirations of current and future householders. Every aspect has been engineered to exceed statutory requirements making for innovative and sustainable living. Adopting the principles of modern construction methods enables a cost-effective solution. The Group has thirty-five house and apartment design options that provide adequate flexibility to the master planning of any housing development.

Social and demographic flexibility

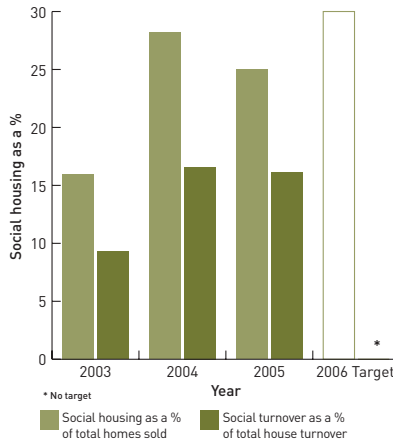
The flexibility of the Design for Manufacture houses allows internal space to be adapted by the end user. In this way it can reflect social trends and a diversity of lifestyle choices. Service areas are planned into one zone, providing a clear living space that can be manipulated to suit individual needs and desires. Further flexibility of use is achieved in the design of the apartment blocks. At ground level, retail units can 'slide' into the building shell from beneath the complex, creating a mixed-use sustainable development.



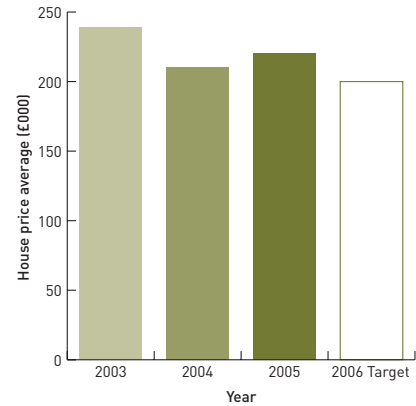
BOTTOM: INTERIORS ARE DESIGNED FOR FLEXIBLE LIVING AND NATURAL LIGHTING



COMMUNITY BUILDING: TOTAL NUMBER OF HOMES SOLD



COMMUNITY BUILDING: SOCIAL HOUSING AS A % OF TOTAL HOMES SOLD AND HOUSE TURNOVER



COMMUNITY BUILDING: HOUSE PRICE AVERAGE

Continual improvement

- To establish an affordable and sustainable home range.
- To increase the number of affordable homes.
- To establish 'Homes for Life' following 'Lifetime Homes' and 'Secured by Design' principles.
- To commit again to increasing registration of build sites to the Considerate Constructors Scheme.



IMAGE: TYPICAL MASTERPLAN SHOWING COMMUNITY AND PLAY SPACE AREAS

Environmental stewardship

Sustainable Development policy
'The Board is committed to... constructing well built sustainable homes... using designs and materials that respect our heritage and living environment.'

Policy issues

- 1 Comply with all relevant environmental legislation to prevent pollution and waste of resources.
- 2 Develop on 'brown field' land to protect the 'green belt' and add value to development land.
- 3 Increase home energy efficiency, insulation and air tightness to reduce emissions.
- 4 Apply modern methods of construction and meet local renewable energy commitments.
- 5 Raise environmental standards beyond the forthcoming Code for Sustainable Homes.

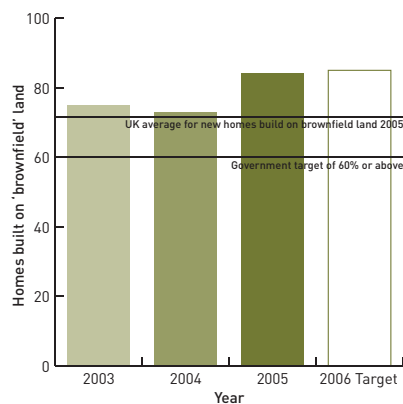
Climate Change Strategy

Crest Nicholson's 'greenhouse' gas emission strategy is to increase energy efficiency and reduce emissions that cause global warming from its offices, car fleet, build sites and new homes.

Performance

- Built on 'brownfield' land that exceeded the UK Governments 60% target and continued to claim Corporation tax rebates on the costs of reclaiming 'brownfield' land.
- Contributed to a checklist for 'Guidance on Designing Developments for Changing Climate.
- Home energy efficiency ratings were slightly lower due to increased grid supply to apartments.
- Increased the number of EcoHomes certified to 26% (2004: 8.2%).
- Increased the number of homes certified as 'Good' EcoHomes to 521units (2004: 170 units)

- Reviewed Crest Nicholson's standard designs and options for modern methods of construction.
- Established the first development sites for a new range of sustainable homes using high performance insulation systems suitable for the application of renewable energy technologies.
- Established Crest Nicholson's first zero carbon developments within the planning system.



ENVIRONMENTAL STEWARDSHIP: HOMES BUILT ON 'BROWNFIELD' LAND

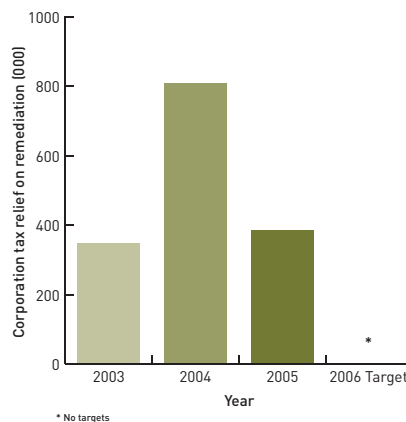
EcoHomes certification

Key Performance Indicators	2003	2004	2005	2006 target
EcoHome certification (% of new build)	0	8.2%*	26%**	30%
Percentage of units in 'Pass' range	-	7.7%	19.2%	5%
Percentage of units in 'Good' range	-	81.7%	80.8%	80%
Percentage of units in 'Very Good' range	-	10.6%	0	10%
Percentage of units in 'Excellent' range	-	0	0	5%

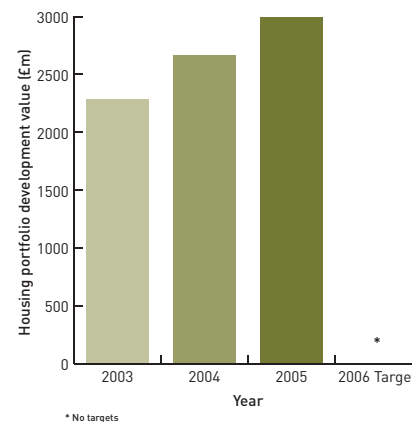
* 208 homes certified in 2004 ** 645 homes certified in 2005

Continual improvement

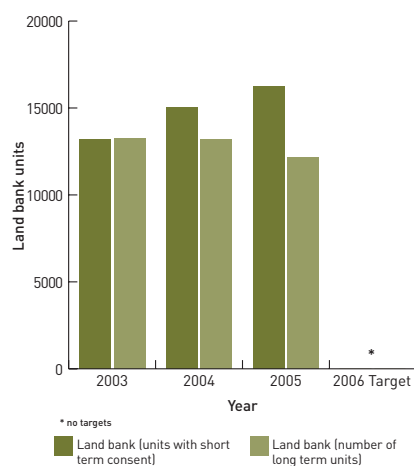
- To train land buyers, planners and designers on climate change checklists and utilise solar gain, natural protection, drainage and vegetation cover in planning.
- To design layouts that avoid flooding and overheating.
- To engage with Government and professional bodies to influence regulation.
- To plan ahead of rising building standards and planning controls.
- To plan more communities using modern methods of construction.
- To promote and use appropriate micro-renewable energy technologies to meet commitments.



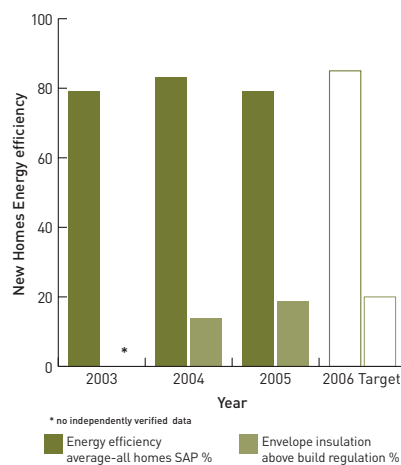
ENVIRONMENTAL STEWARDSHIP: CORPORATION TAX RELIEF ON REMEDIATION



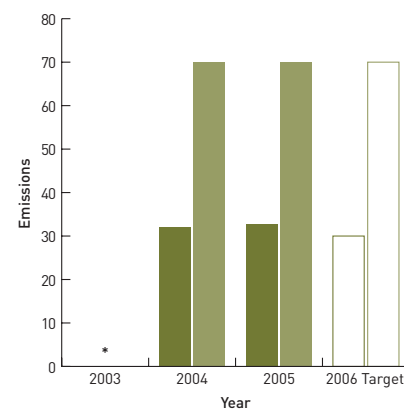
ENVIRONMENTAL STEWARDSHIP: HOUSING PORTFOLIO DEVELOPMENT VALUE



ENVIRONMENTAL STEWARDSHIP: LAND BANK



ENVIRONMENTAL STEWARDSHIP: NEW HOMES ENERGY EFFICIENCY



ENVIRONMENTAL STEWARDSHIP: AVERAGE CO₂ EMISSIONS AND NITROUS OXIDES EMISSIONS

Sustainable homes

Reducing the environmental impact of homes is crucial in pursuing sustainable developments in the UK. Through the concept of sustainability, construction efficiency and aesthetic quality, Crest Nicholson's 'Design for Manufacture' consortium created a unique system linked to a future proofed environmental strategy. In 2005 the consortium led by Crest Nicholson for the Office of the Deputy Prime Minister's competition has resulted in the establishment of main stream affordable and sustainable housing that will progress through planning in 2006 and increase in numbers in future years.

Modern methods of construction and waste management

Crest Nicholson's first Design for Manufacture homes will be built at Renny Lodge, Newport Pagnell. In 2005, we proposed 21 affordable homes incorporating major efficiencies in off site manufacture and onsite waste reduction. Less waste will be produced due to more accurate methods of factory assembly. Plot build time scales are being reduced to 25 days.

Sustainable materials, thermal mass and insulation

Within the Design for Manufacture house the structurally insulated panel system (SIPS) consists of strengthened oriented strand boards assembled either side of a high performance solid insulation core with a zero ozone depletion potential. Selective thermal mass is achieved through a concrete ground floor and cement fibreboard roof tiles that can slowly absorb heat during the day and release it during cooler periods to maintain a more comfortable living temperature range. The highly insulated envelope also minimises extreme external temperature variations and internal



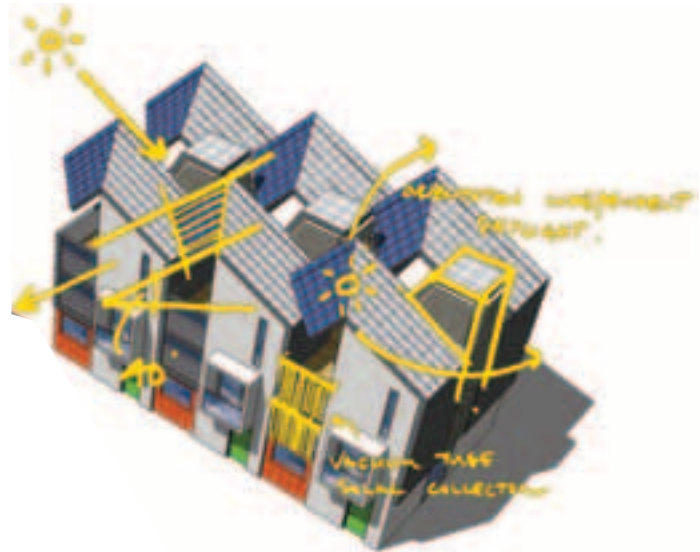
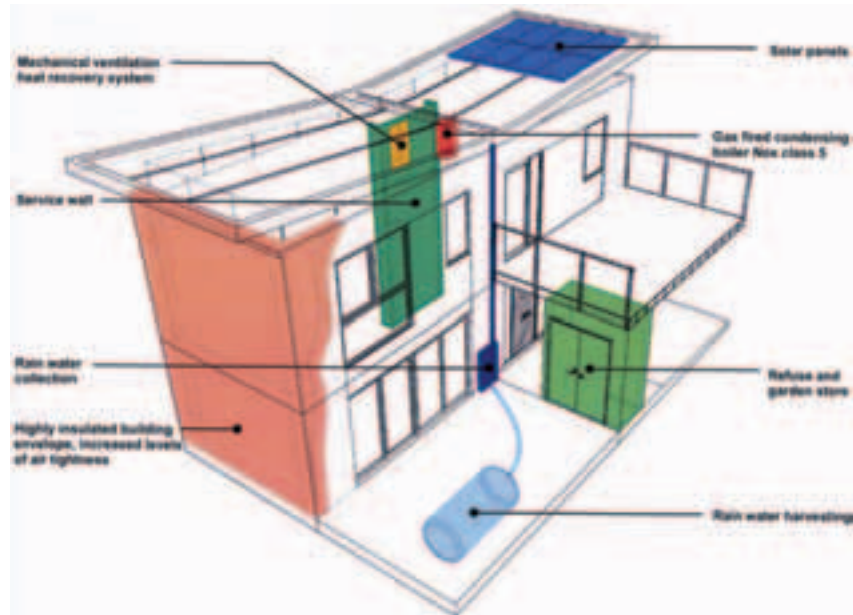
IMAGE: MODERN METHODS OF CONSTRUCTION, RENNY LODGE - STRUCTURALLY INSULATED PANEL SYSTEM (SIPS)



IMAGE: DESIGNING HOMES FOR A CHANGING CLIMATE - 'PUSHED IN' BAYS ON THE SOUTH AND WEST MAXIMISE SHADE. THE LANTERN PROVIDES MAXIMUM SOLAR CONTROL

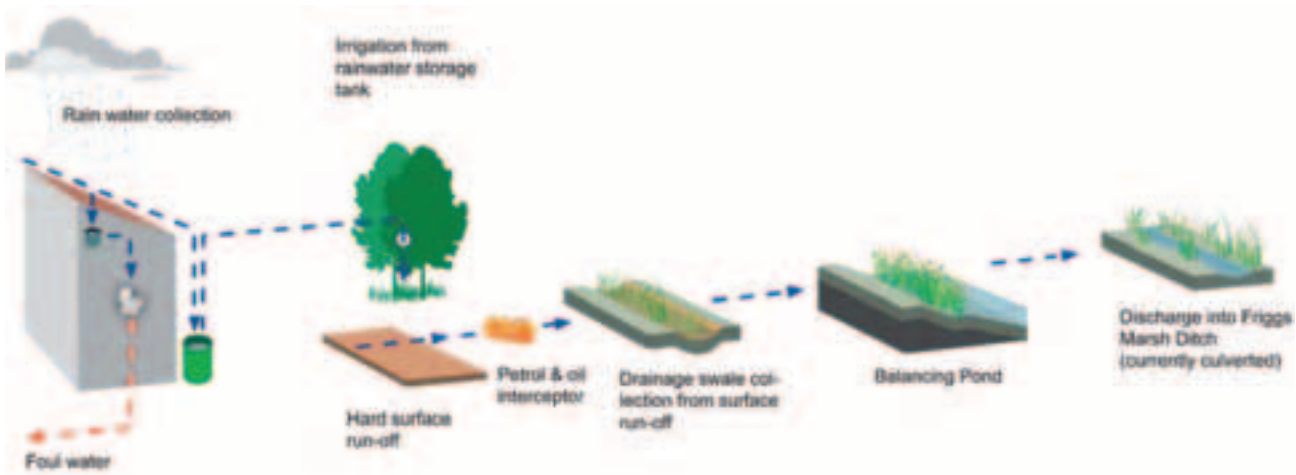


heat loss. A roof lantern provides maximum architectural and environmental gain. This intrinsic passive environmental design minimises energy consumption and maximises the benefit of the natural environment. The accuracy achieved in off-site manufacture provides a high degree of air tightness. Reduced infiltration and fabric heat loss significantly reduces heating and carbon dioxide emissions. With these higher levels of insulation a boiler normally used for individual dwellings can provide heating for several apartments. Shared boilers ensure less gas distribution pipe work reducing network connection costs, and simplifying flue systems.



LEFT: THE APPLICATION OF COMBINED HEAT AND POWER TO COMMUNITIES
RIGHT: RENEWABLE ENERGY OPTIONS

TOP: SUSTAINABLE DEVELOPMENT OPTIONS



IMAGES: SUSTAINABLE URBAN DRAINAGE SYSTEMS



IMAGE: LANDSCAPING PLANTING AND ECOLOGY STRATEGY



IMAGE: DESIGN FOR MANUFACTURE DEMONSTRATION HOUSE, LONDON

Solar heat control and passive ventilation

Solar shading is significantly improved by the insulation of the Design for Manufacture house panels. Glazing orientation will control solar heat gain so glazing is minimised in bedrooms and maximised in living areas to reduce heat loss and allow light into areas where it is most needed. The design of the roof lantern and orientation during the planning stage will control the risks that global warming can pose. The

daylight exposure through the lantern means that south facing windows can be smaller, reducing solar heat gain. 'Pushed out' bays on the north and east facades maximise winter sun and 'pushed in' bays on the south and west can maximise shade. Ventilation via connectivity between the occupied open plan space, the stairwell and the roof lantern ensure optimum air circulation. At night an open lantern vent works in conjunction with the mechanical ventilation dissipating the day's heat without compromising security.



IMAGE: VENTILATION VIA CONNECTIVITY BETWEEN THE OCCUPIED OPEN PLAN SPACE, THE STAIRWELL AND THE ROOF LANTERN ENSURE OPTIMUM AIR CIRCULATION

Renewable energy integration

Each Design for Manufacture dwelling can accommodate various types of renewable energy such as biomass combined heat and power community heating, solar hot water heating, photovoltaic electricity, micro wind turbine electricity and hot air recovery systems. The dwellings are flexible enough to integrate renewable energy services in a first fix factory assembled party wall, minimising costs, site installation time and optimising build quality. A boiler system can be installed with two coils, one for grid electric or other energy sources and the other for solar hot water panel heating, saving over half the heating costs. An electrically driven hot air recovery system that siphons residual hot air to the hot water cylinder can also be installed. It consumes, on average, 1kW of electricity, whilst providing 3kW of heat to the water system. In addition the solar heat gain generated from the roof lantern can be fed into the system, further reducing electricity consumption.

Offices

Sustainable Development policy

'Run cost effective and efficient offices that have the least detrimental impact on the environment.'

Policy issues

- 1 Paper recycling, car fleet emissions and energy conservation.
- 2 Climate change, potential flooding, damage, discomfort and carbon emissions.

Performance

- Completed a 'greenhouse gas' emission review of Crest Nicholson's development sites and office energy consumption with the Energy Saving Trust.
- Office energy consumption figures decreased in 2005 with the use of appropriate gas conversion figures and the restatement of the data in 2004, reflected the closure of the London office and the opening of an Eastern office.

- Started an assessment of the car and van fleet business mileage, fuel usage and carbon emissions in partnership with the Energy Saving Trust.
- Developed a recycled paper buying policy and assessed the amount of paper that is used in developed in the Company's offices in partnership with the Waste and Resources Action Programme (WRAP).
- Significant reductions in office water usage due to leak repairs by the water company.

Printed Material

As part of Crest Nicholson's continuing consultation with WRAP a new environmental paper procurement policy was published. This has been rolled out across all operating regions increasing the usage and specification of recycled paper stocks throughout the business, without increasing costs significantly. Together with office waste recycling, buying recycled paper is closing the 'waste paper loop' by diverting waste paper from landfill to

paper mills. More details of how this was achieved can be found in the WRAP case study on www.crestnicholson.com under 'Sustainable Development' and 'Case Studies'.

Continual improvement

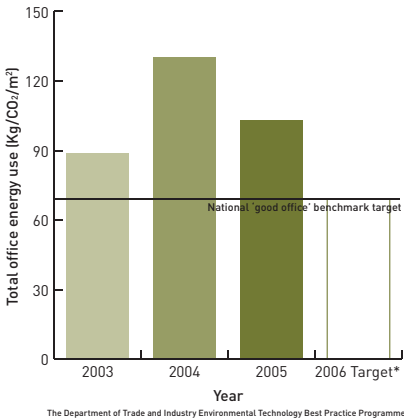
- To establish and maintain a Group wide energy efficient office campaign for good practice.
- To continue to reduce office waste and water usage.
- To complete an environmental review of the car fleet in partnership with the Energy Saving Trust.
- To cut costs and emissions by moving business away from carbon based transportation.
- To consider car and van fleets that include hybrid options and alternative fuels.

Group 'greenhouse' gas emissions

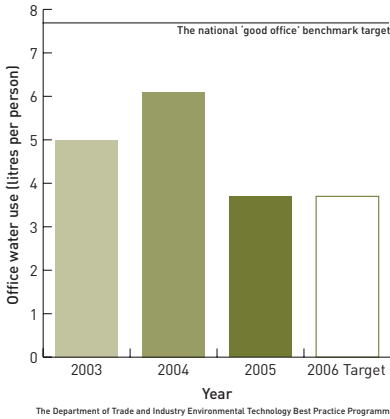
Key Performance Indicators	2003	2004	2005	2006 target
Office carbon dioxide tonnes CO ₂ e*	616	902	883	-
Site carbon dioxide tonnes CO ₂ e**	-	-	3,216	-
Car fleet carbon dioxide tonnes CO ₂ e***	-	-	1,477	-
Total carbon dioxide tonnes CO₂e	-	-	5,576	-

- No data or target *From meter readings and conversion calculations. **Estimated from cost data

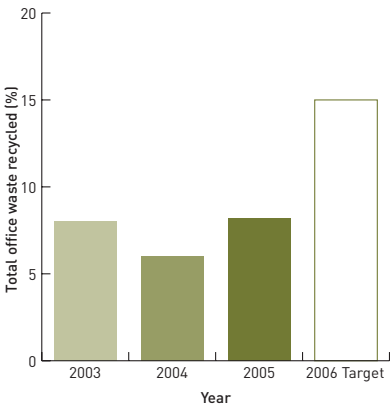
***Calculated from estimates of business mileage and car fleet data (KPMG report)



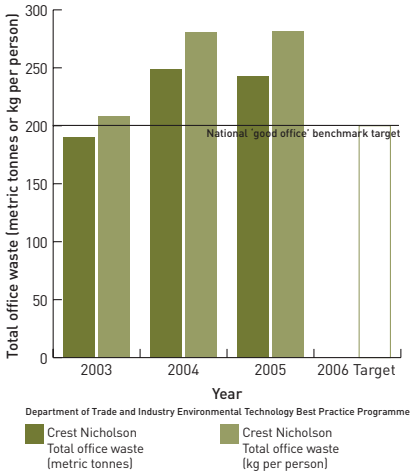
ENVIRONMENTAL STEWARDSHIP: TOTAL OFFICE ENERGY USE PERFORMANCE



ENVIRONMENTAL STEWARDSHIP: OFFICE WATER USE (LITRES PER PERSON)



ENVIRONMENTAL STEWARDSHIP: TOTAL OFFICE WASTE RECYCLED (%)



ENVIRONMENTAL STEWARDSHIP: TOTAL OFFICE WASTE

Case study

Using recycled paper to support CSR policy

“Increasing our use of recycled paper presented us with an ideal opportunity to have a direct impact on UK landfill and meet our sustainability targets.”

Paul Donnelly, Group Environment Manager, Crest Nicholson



IMAGE: CREST NICHOLSON'S WASTE AND RESOURCES ACTION FOR OFFICES



Crest
NICHOLSON

2005



MARKETPLACE

STRIKING THE BALANCE BETWEEN ECONOMIC, SOCIAL
AND ENVIRONMENTAL RESPONSIBILITIES

CONTRACTORS • SUPPLIERS •
SALES, MARKETING AND CUSTOMER SERVICES

'To develop long term, non-adversarial partnerships with contractors and suppliers promoting higher social and environmental standards.'

- 1 Standards of site contractors waste management practice.
- 2 Use of secondary aggregates from recycled demolition material.
- 3 Contractor sustainable development selection criteria.
- 4 Climate change and contractor 'greenhouse gas' emissions.


- Distributed guidance on the 'Landfill' and 'Hazardous Waste' directives for development projects.
- Skip waste reduced, for the third consecutive year, in response to directives resulting in segregation for recycling.
- Reviewed waste skip contractors for increased segregation, recycling and reduced waste costs.
- Contracted an energy supplier that produces more renewable energy and provides a carbon offset tariff option to development sites and new homes.
- Developed and distributed a 'Green Card' for contractors to raise awareness of good environmental and social practices on construction sites.

The land filling of construction waste has degraded the environment and contributed to 'greenhouse gas' emissions. To avoid these environmental impacts in the future Crest Nicholson continues encouraging more waste segregation, reuse and recycling on build sites.

Crest Nicholson has struck a balance between obtaining the best price for supplying power and obtaining electricity from the energy supplier currently producing approximately 40% of the UK's renewable capacity. The green electricity tariff is the customers' first choice. The supplier invests in renewable technology and plants trees to offset carbon emissions from the new homes. Independent consultants audit this procedure.



- To establish climate change procedures for selecting key build site contractors.
- To form partnerships with contractors who have considerable renewable energy technology.
- To record carbon offset measures implemented by the energy supplier.
- To establish a partnership with a waste skip segregation and recycling contractor.
- To improve emergency preparedness and response procedures and communications on sites.



Spill Response

What to do if you find a spillage of any substance on site

Stop - Contain - Notify

Stop your immediately and prevent any more material spilling, e.g. right off a drum, close valves

Contain the spillage using barriers such as earth or sand, try to plug the immediately

Notify your terminals/supervisor immediately giving the following information:

- whether material has entered the drain/effluent or is affecting the environment
- material involved
- quantity involved
- reason for the spillage
- identity involved

Eliminate any sources of ignition, e.g. switch off plant,

Check the spill has not reached any nearby drainage systems, if it has, check that the drains are plugged and inform the maintenance to enable the situation to remain until the drainage clears.

Forward/Supervisors Instructions

Major: Control and report immediately to the contacts opposite.

Minor: Close off the spillage using sand or absorbent. Sprinkle, plug and seal.

Site Managers to record all incidents on the **Emergency Response Form** and forward to the Regional and Group Environment Manager.

Spillage Type

Major: cannot be contained, pollution has entered, or could enter a drain or watercourse. Report to terminal/supervisor immediately.

Minor: Can be contained, pollution has not entered, and cannot enter a drain or watercourse.

Forward/Supervisors Instructions

Major: Control and report immediately to the contacts opposite.

Minor: Close off the spillage using sand or absorbent. Sprinkle, plug and seal.

Site Managers to record all incidents on the **Emergency Response Form** and forward to the Regional and Group Environment Manager.

Contacts

Site Manager

Regional Manager

Group Environment Manager

Environment Agency Incident hotline

Useful Numbers

These numbers are for all major response purposes:

- Follow the response procedure given. If the main contractor already has a spill response procedure, follow this.
- In the event of an accident at the spillage remove resources through safety barriers and isolate the spillage. Contain the spillage using sand or absorbent.
- Use container placed nearby to collect spillage from such as fuel spill drums.
- If the spillage is a spillage of a liquid, use the spillage kit provided by the Environmental Agency.
- If the spillage is a spillage of a solid, use the spillage kit provided by the Environmental Agency.
- If the spillage is a spillage of a gas, use the spillage kit provided by the Environmental Agency.
- If the spillage is a spillage of a liquid, use the spillage kit provided by the Environmental Agency.
- If the spillage is a spillage of a solid, use the spillage kit provided by the Environmental Agency.
- If the spillage is a spillage of a gas, use the spillage kit provided by the Environmental Agency.

Emergency Response Form

Fill in the following details of the spillage and forward to the Regional and Group Environment Manager.

Spillage Type: ☐ Major ☐ Minor

Spillage Location: ☐ Drain ☐ Watercourse ☐ Land ☐ Air

Spillage Material: ☐ Oil ☐ Fuel ☐ Acid ☐ Alkali ☐ Other

Spillage Quantity: ☐ Less than 100 litres ☐ 100 to 1000 litres ☐ More than 1000 litres

Spillage Cause: ☐ Human error ☐ Equipment failure ☐ Other

Spillage Date: ☐ 1st Jan ☐ 2nd Jan ☐ 3rd Jan ☐ 4th Jan ☐ 5th Jan ☐ 6th Jan ☐ 7th Jan ☐ 8th Jan ☐ 9th Jan ☐ 10th Jan

Spillage Time: ☐ 00:00 ☐ 01:00 ☐ 02:00 ☐ 03:00 ☐ 04:00 ☐ 05:00 ☐ 06:00 ☐ 07:00 ☐ 08:00 ☐ 09:00 ☐ 10:00 ☐ 11:00 ☐ 12:00 ☐ 13:00 ☐ 14:00 ☐ 15:00 ☐ 16:00 ☐ 17:00 ☐ 18:00 ☐ 19:00 ☐ 20:00 ☐ 21:00 ☐ 22:00 ☐ 23:00

Spillage Name: ☐ Oil ☐ Fuel ☐ Acid ☐ Alkali ☐ Other

Spillage Volume: ☐ Less than 100 litres ☐ 100 to 1000 litres ☐ More than 1000 litres

Spillage Cause: ☐ Human error ☐ Equipment failure ☐ Other

Spillage Date: ☐ 1st Jan ☐ 2nd Jan ☐ 3rd Jan ☐ 4th Jan ☐ 5th Jan ☐ 6th Jan ☐ 7th Jan ☐ 8th Jan ☐ 9th Jan ☐ 10th Jan

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Spillage Name: ☐ Oil ☐ Fuel ☐ Acid ☐ Alkali ☐ Other

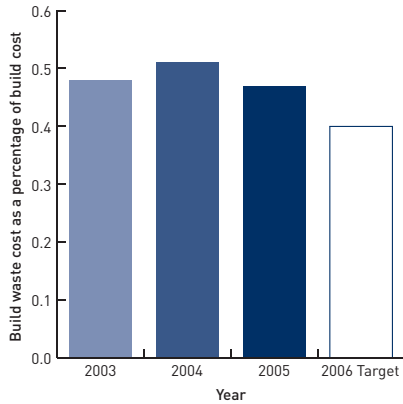
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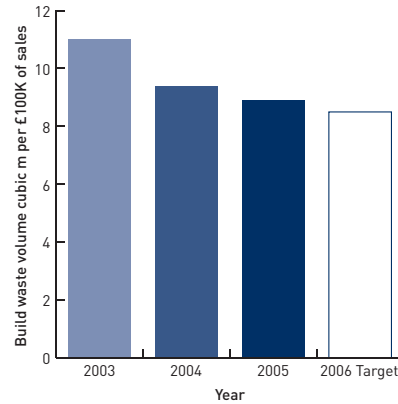
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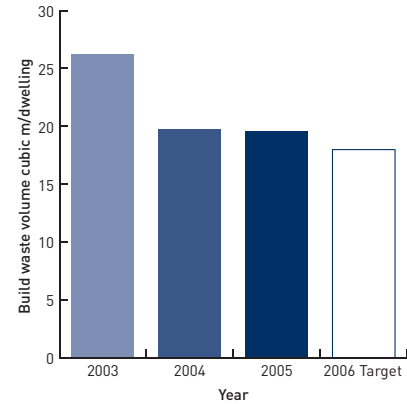
IMAGE: EMERGENCY RESPONSE PROCEDURE AND POSTER



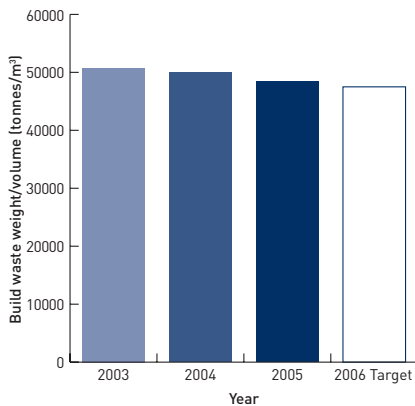
SKIP WASTE COSTS: BUILD WASTE COST AS A PERCENTAGE OF BUILD COST



SKIP WASTE COSTS: BUILD WASTE VOLUME CUBIC METRES PER £100K OF SALES



SKIP WASTE COSTS: BUILD WASTE VOLUME CUBIC METRES PER DWELLING



SKIP WASTE COSTS: BUILD WASTE WEIGHT OR VOLUME

Site Waste Management Policy

Non Compactable Waste

Active Waste

- Asbestos
- Lead-acid batteries
- Chemical waste
- Pesticides
- End of life vehicles
- Fridge/Freezers

Compactable Waste

Lightweight Active Waste

- Lightweight concrete
- Clay
- Bricks
- Roof tiles
- Plasterboard
- Insulation
- Timber
- Plastic
- Metals
- Aggregates

Non Compactable Inert Waste

Inert Waste

- Concrete
- Bricks
- Roof tiles
- Plasterboard
- Insulation
- Timber
- Plastic
- Metals
- Aggregates

Plasterboard Waste

Plasterboard Waste

- Plasterboard
- Plasterboard
- Plasterboard
- Plasterboard
- Plasterboard
- Plasterboard
- Plasterboard
- Plasterboard
- Plasterboard
- Plasterboard

Hazardous Waste

Contractors and subcontractors have full responsibility, under their 'Duty of Care', for the hazardous waste they generate, collect, transport, store, recover or dispose.

Hazardous wastes are potentially:

Dangerous | Toxic | Explosive | Irritant Wastes

The regulation

- Producers register their premises by notification with the Environment Agency.
- Hazardous waste is separated from 'non-hazardous waste' where practical.
- The mixing of hazardous waste is prohibited unless the waste has the same classification.

Actions

- Identify, minimise and quantify hazardous waste
- Use only authorised waste contractors and check that they are in compliance (registration)
- Keep records of signed Consignment Notes and use EWC codes on these notes
- Review waste procedures with your Environmental Regulator (08700 502098)
- An additional skip/plan for hazardous waste is required.
- Asbestos, lead, acid and paint/inks require a separate drum.

Source: The Environment Agency (EPA) 2002

Examples of development site hazardous wastes are:

Site Clearance

- Lead-acid batteries
- Chemical waste
- Pesticides
- End of life vehicles
- Fridge/Freezers

Ground Works

- Contaminated land
- Sludge

Demolition

- Asbestos
- Fluorescent light tubes
- Televisions
- Refrigerators

Build

- Solvent based paints and paint tins*
- Asbestos
- Fluorescent light tubes
- Refrigerators
- Engine oils and filters

*The Environment Agency (EPA) has published guidance on the safe handling and disposal of hazardous waste. The Environment Agency may require certain hazardous waste to be stored in a specific container and to be labelled with a hazard symbol.

This policy commits to:

- 1 Comply with relevant environmental legislation
- 2 Prevent pollution and the waste of resources

All Crest Nicholson personnel and contractors are required to follow the waste management principles of:

Reduce

- Use less
- Don't damage materials
- Do the job "right first time"
- Take only what you need from storage

Reuse

- Use it more than once, if safe to do so

Recycle

- Metals, aggregates, plastics, glass and timber.

Follow the 10 point plan

- 1 Do not store large quantities of materials on-site for long periods
- 2 Keep all materials in their protective packaging as long as possible
- 3 Understand the requirements of the job (standards and finish quality)
- 4 Plan to reduce or reuse off-cuts e.g. wood, bricks etc
- 5 Bring only the required quantity of materials to the work place
- 6 Keep your work area clean and tidy
- 7 Report and make good material waste e.g. spilled pallet of bricks
- 8 Segregate all waste types into the appropriately labelled skips
- 9 Suggest ways to reuse materials on site
- 10 Do not burn waste on site, it is illegal and the penalties are severe

Site waste management

Responsibilities

Build site managers, contractors and sub-contractors are responsible for all waste produced during site operations normally stored in skips, other containers, or stockpiled on site.

Also

- Comply with waste management legislation
- Improve waste reduction, segregation, reuse and recycling
- Practice good economic, social and environmental controls over waste

Know the true costs of waste

- Materials wasted
- Waste storage, transport and disposal
- Time spent managing and handling waste
- The loss of income from not salvaging waste materials

www.crestnicholson.com

IMAGE: SITE WASTE MANAGEMENT POLICY, PLAN AND PROCEDURES

Suppliers

‘To develop long term, non-adversarial partnerships with contractors and suppliers promoting higher social and environmental standards’

Policy issues

- 1 Materials and products that can withstand climate change.
- 2 Acquiring evidence of chain of custody from timber suppliers.
- 3 Avoiding materials that emit ‘greenhouse gasses’ during manufacture, use or disposal.
- 4 Procuring water saving and renewable energy technologies.

Performance

- Implemented sustainability principles through supply chain workshops at flagship developments in Park Central, Birmingham and Harbourside, Bristol.
- Developed an EcoHomes product and materials selection list for Crest Nicholson planners, designers and buyers to increase the environmental standards of homes.
- Established a contract with British Gypsum to recycle waste plasterboard from build sites.

Building materials

Crest Nicholson has started to select suppliers based on sustainable technologies, materials, products and processes in response to climate change. Modern methods of construction have many advantages over traditional build within the current planning process. Composite timber frame panels and solid CFC free insulation components have been included within the build process.

Crest Nicholson				
Guide for higher rated EcoHomes				
Planning stage action		Design stage action	Specification/Buying stage action	
Criteria	Options to improve upon the CN 2005 EcoHome ‘Pass’ – ‘Good’ standard		Costs	Points
Pollution 1 HCFC Emissions	Aim: no ozone depleting substances (HCFC's) in building elements & insulation manufacture		Review	
	Spec: ‘A’ rated insulation materials in walls, windows, roof, loft access, hot water cylinder etc			
	‘A’ rated:			
	Recycled cellulose insulation (potential cost saving option)		£2-4	1/1
	Expanded polystyrene (EPS) – Crest standard		£5-7	
	Glass wool insulation 160kg/m3 density or less		£2-10	1/1
	Mineral wool insulation 150kg/m3 density or less - Crest		£1-15	
	Avoid:			
	Glass wool insulation 160kg/m3 density or over or		2-10	
	Polyurethane insulation (PU) HCFC free or corkboard insulation 120kg/m3 density		£7-11	
Pollution 2 NOx emissions	Extruded polystyrene (XPS) HCFC free 40kg/m3 density or less		£10-12	
	Foamed glass insulation		£14-17	
	Mineral wool insulation 150kg/m3 density or over		£15-30	
	Evidence: provide hot water cylinder, wall drawings, door details, etc with insulation specifications			
	Aim: to reduce nitrous oxide emissions use low emission, boilers			
	Specification: Class 5 low NOx emission burners < 70 mg NOx / kWh		Standard	3/3
	Alternative options: see CN renewable energy selection procedure			
	Evidence: development specification wording; drawing information; contractor/supplier letter			

IMAGE: CREST NICHOLSON’S ECOHOMES PRODUCT AND MATERIALS SELECTION LIST

Products

Some of the energy saving and renewable technologies being considered for planning include: micro-wind turbines, heat exchangers and biomass fired combined heat and power. Other products in current use include energy saving devices for: internal lighting and external security light fittings, energy efficient refrigerators, freezers, washing machines, spin dryers and ovens.

Pollution

To minimise pollution from building insulation, zero ozone-depleting products are specified in roof space, walls, floor space and pipe voids. Crest Nicholson does not procure products that emit ozone-depleting substances during manufacture. To reduce nitrous oxide emissions, class 5 low emission boilers are specified as they emit less than 70mg NOx/kWh.

Timber

Crest Nicholson buyers are able to acquire timber from suppliers where over 60% of the timber comes from sustainably managed sources.

Water appliances

Mandatory trading agreements were maintained for efficient water saving devices. Taps, showerheads, baths and low flush WC cisterns were reviewed for improvement. Within Crest Nicholson homes these appliances on average use 43.35 cubic metres per bed-space per year. This data is obtained from EcoHome assessment reports for 2005 and is already below the maximum water usage allowance for the pending Code for Sustainable Homes.

Continual improvement

- To raise awareness amongst buyers of the principles of sustainable procurement.
- To train buyers and suppliers to specify materials and products to withstand climate change.
- To implement and maintain EcoHome buying lists.
- To establish a more effective timber buying policy.
- To continue developing more innovative partnerships with suppliers of materials and products
- To work with the waste and resources action programme (WRAP) on materials with higher recycled content and measure the amount of plasterboard being recycled.



LEFT: CREST NICHOLSON'S GYPSUM RECYCLING POSTER RIGHT: CREST NICHOLSON'S INERT POSTER

Sales, marketing and customer services

Sustainable Development policy
'The Board is committed to high levels of customer satisfaction by constructing well built sustainable homes and creating communities using designs and materials that respect our heritage and living environment. Sales, marketing and customer services are to raise the awareness of customers to the benefits of sustainable homes and communities.'

Policy issues

- 1 The economic, environmental and social features of our homes.
- 2 Ethical marketing and customer care.
- 3 Home value and developer reputation.
- 4 Home design and construction being fit for purpose – climate change future proofed.

Customer Promise

Crest Nicholson's Customer Promise is set out in its new home guide 'Building Relationships'. The Promise commits to the following: a professional service; progress inspections; home personalisation and a verification of

quality standards. The Promise also commits to demonstrations of fixtures, systems and appliances. A warranty and emergency cover is included.

Customer Service Guide

The customer care programme includes the following: a six-month property inspection, a two-year emergency service, an NHBC Build Mark information pack and a protection policy for 10 years. A house maintenance section includes advice on garden planning, water saving and waste recycling. There is also a comprehensive hand-over information pack.

Performance

- Private housing sales were up 3% to 1,865 (2004: 1,812).
- Created and distributed a new energy efficiency poster to be displayed in every home to keep customers informed of the economic and environmental benefits of high standards.
- Raised awareness of EcoHomes by producing guidance on the selling points.
- Conducted a survey of customer opinion about living in 'Very Good' EcoHomes.
- Customer satisfaction ratings remained in the 'mostly satisfied' range.

Sales and Marketing

The commitment to sustainability means a transparent sales function. The Company strives to ensure that marketing strategies clearly reflect the product offered. This commitment is passed to customers via sales literature, advertising, show homes, marketing suites, online activity, home owner guides and, most importantly, by Sales Advisors.

Customer Services

The Group is committed to ensuring that the process of buying a new home is as smooth and trouble free as possible. To this end customers are encouraged to inspect their new homes at key stages of the building process. Site Managers sign off a comprehensive quality checklist. Finally a representative from the Customer Service Department inspects the property prior to legal completion. All regions have a Head of Customer Service, together with a dedicated team to resolve all customer issues. There is also a 24-hour emergency help line provided by HomeServe, for out of hours emergency cover. This is available to all customers for two years after completion.

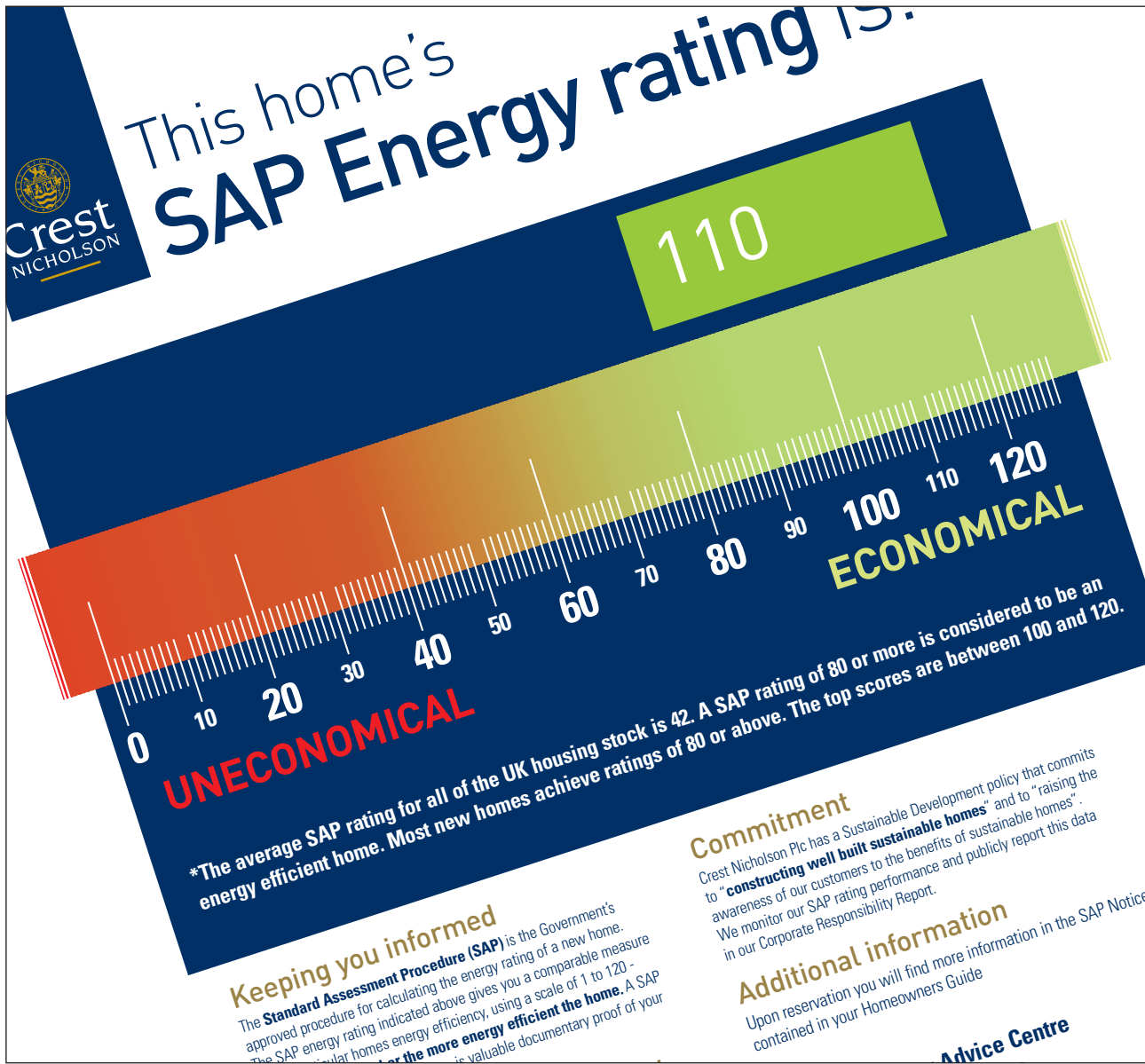


IMAGE: CUSTOMERS ENERGY RATING POSTER

Customer consultation

On a quarterly basis, independent consultants carry out a customer satisfaction survey. This survey is split into two parts. The first part comprises a 'before sales' service and construction quality survey that assesses helpfulness of sales advisors and progress on keeping customers informed. The quality of design, construction, soundproofing and internal spaces is also assessed. Externally, neighbourhood community, local environment and parking are assessed. In these areas overall satisfaction levels of 76.6% were achieved. The second part of the survey is an 'after sales' customer service and maintenance assessment. This allows total customer satisfaction to be reviewed more accurately by measuring progress in achieving policy objectives on customer service communication, staff commitment and time to complete after sales work. In these areas overall satisfaction levels of 75.2% were achieved.

Customer EcoHome survey

For Crest Nicholson to understand their customer's attitudes towards the environmental attributes of homes in general, and opinions of their own new homes, a consultation was undertaken in Milton Keynes on a site consisting of 22 'Very Good' rated EcoHomes. Fourteen replies were received representing a response rate of 63.6%. The results will form the basis of a trend monitoring analysis.

The first part of the questionnaire on general attitudes provided the following findings:

- 1 Most customers prioritised home energy efficiency, utility bill costs and water conservation as the most important environmental features, followed by a healthy indoor environment.
- 2 Customers considered construction site impacts on the environment more important than the issues of renewable energy, sustainable building materials and community creation.

The findings of the second part of the questionnaire on opinions of their new homes were as follows:

- 1 Customers thought that their 'very good' EcoHome rating would help sell their existing home in the future and that they would consider EcoHome criteria in the selection process their next home.
- 2 All customers claimed not to use public transport even though good services were available. This may be due to the closeness of local amenities, the favoured use of the car for longer journeys and 53.9% choosing to walk or ride a bike locally.
- 3 Other favoured features were adequate day lighting, a sense of well being, ease of recycling and perceived improved quality of life.

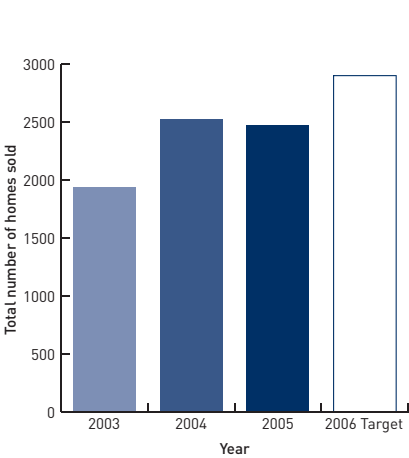
- 4 Many customers perceived that their utility bills were increasing despite the actual reduced energy use due to energy efficient insulation and installations within their homes. This was due to the continued increases in utility bills against a reduction in energy consumption.

Advertising Standards

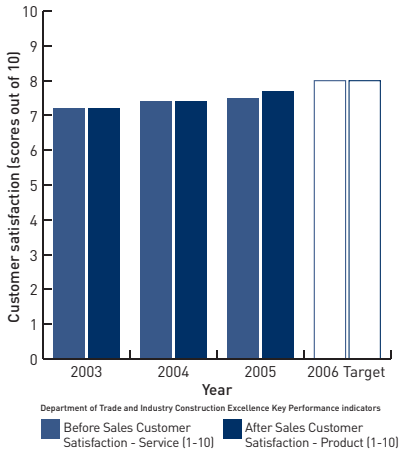
Only one incident was referred to The Advertising Standards Authority (ASA) in the last reporting period. As a result, reinforced procedures have been put in place to ensure that this is not repeated.

Continual improvement

- To train staff on climate change issues and related changes in home design and build.
- To raise awareness of modern methods of construction and flexible living spaces.
- To inform customers of future energy, water and waste efficiencies including renewable energy.
- To conduct an independent survey of customer comfort levels in 'Good' EcoHomes.
- To establish a customer's sustainable lifestyles guide and improve customer satisfaction.
- To develop and market our expertise and reputation in homes for the future.



TOTAL NUMBER OF HOMES SOLD



CUSTOMER SATISFACTION



TOP: CUSTOMER SERVICES COMMIT TO A SIX MONTH PROPERTY INSPECTION AND SITE MANAGERS SIGN OFF A COMPREHENSIVE QUALITY CHECKLIST
BOTTOM: CUSTOMERS ARE ENCOURAGED TO INSPECT THEIR NEW HOMES

Crest Nicholson Customer EcoHome survey, Milton Keynes (2005)
Summary of customers attitude’s to homes and the environment in general

Environmental criteria considered	Customer ranking of importance
Energy efficient heating systems	1st
Lower utility bills (gas, electricity, water)	2nd
Water efficiency (low flow saving devices, rainwater storage)	3rd
Healthy indoor environment (natural lighting, air quality, sound proofing)	4th
Good practice during construction (wildlife protection, waste management)	5th
Renewable energy installations (solar water heating, photo-voltaic electricity)	6th
Use of environmentally friendly building materials (certified timber sources)	7th
Buildings that create a sense of community (public space, schools, clinics)	8th



IMAGE: CREST NICHOLSON’S CUSTOMER PROMISE COMMITS TO HOME PERSONALISATION

Summary of Crest Nicholson’s Customer opinions of their ‘Very Good’ EcoHomes

EcoHomes criteria questions	Yes or no	%	More or less*	%
Will you consider these criteria in future buying?	Yes	100%	More	53.9%
Do you use public transport?	No	100%	Less	38.5%
Do all rooms have adequate daylight?	Yes	92.3%	More	46.2%
Do you think your EcoHome will sell well?	Yes	84.6%	More	46.2%
Do you have a sense of well being?	Yes	84.6%	More	69.2%
Do you use your car often?	Yes	84.6%	Less	15.4%
Is your location convenient for local amenities?	Yes	76.9%	More	61.5%
Do you feel your quality of life has improved?	Yes	69.2%	More	69.2%
Do you feel that your house is energy efficient?	Yes	69.2%	More	69.2%
Do you travel locally?	Yes	69.2%	More	38.5%
Do you feel at less risk from flooding?	No	69.2%	More	30.8%
Do you work from home ?	Yes	61.5%	More	23.2%
Do you walk or ride a bike?	Yes	53.9%	More	38.5%
Do you find recycling household waste difficult?	No	53.9%	Neither	53.9%
Have your gas and electricity bills changed?	Yes	46.2%	More	69.2%
Has your maintenance schedule/costs changed?	No	46.2%	Same	53.9%
Have your water bills changed?	Yes	46.2%	More	46.2%

* More or less compared to a previous home

Summary of EcoHome sales features at Milton Keynes development

Rating of “Very Good” - progressive performance
<p>Energy - customer gas and electricity bill savings</p> <ul style="list-style-type: none">• Heating insulation and system efficiency is more than 15% above building regulations• ‘A’ rated white goods are provided under the EU Energy Efficiency Labelling scheme• External lighting is designed for energy saving fluorescent lamps with sensors and timers• Drying space provided in secure, private gardens reduces electric energy usage
<p>Transport - customer convenience, fitness and reduced car use</p> <ul style="list-style-type: none">• All homes are within 813m of amenities, including the nearest bus stop• Provision of enlarged garages, sheds or wall mounted cycle storage facilities• Good alternative public transport links to Milton Keynes including buses every 20 minutes• Space and services to work from a home office
<p>Pollution – developer and customer environmental responsibility and insurance benefits</p> <ul style="list-style-type: none">• All home insulation material is made from zero ozone depleting substances• The high-efficiency boilers installed have the lowest nitrous oxide emission specification• Roof rain water run off is discharged to drainage systems to reduce flooding and pollution and damage
<p>Materials – developer and customer environmental ethics</p> <ul style="list-style-type: none">• 100% of basic building and finishing timber used are from sustainably managed sources*• Household recycling facilities co-ordinated with three external local council recycling bins• Main building materials (roof, walls, etc) selected for the least impact on the environment <p>*Pan European Forestry Commission and Forestry Stewardship Council Certified</p>
<p>Water – developer and customer water conservation, bill predictability and savings</p> <ul style="list-style-type: none">• Sanitary ware and fittings reduce internal mains water use to 41.3m³/bed-space year• A 150 litre garden rainwater butt reduces mains water usage in the garden
<p>Health and well being - good day lighting and reduced energy bills</p> <ul style="list-style-type: none">• All house types - at least 80% of rooms provide a view of the sky from a height of 0.85m• All kitchens achieved the minimum daylight factor of 2%• Living rooms, dining rooms and studies exceeded the 1.5% daylight factor• Quality of life improved by private outdoor space/garden

Verification statement

Objective

RPS Group plc has been commissioned by Crest Nicholson PLC to conduct an independent verification of this Corporate Responsibility Report 2005. The overall aim of the verification statement is to provide assurance to all stakeholders that the information provided is accurate and reliable, and to provide independent comment on the social and environmental achievements of Crest Nicholson. The corporate responsibility report is the responsibility of Crest Nicholson and the verification statement is the responsibility of RPS.

Scope

The terms of reference for RPS's verification were to assess the appropriateness, credibility and soundness of the claims and commitments made in the report. In addition, RPS was asked to judge the extent to which social and environmental measures are being embedded into the Company's overall business and operational activities. The scope of this verification was the information published in the written report.

Methodology

The process used in this verification statement is based on guidance published by GRI, and other supporting best practice. Statements and data

were verified through a series of interviews with key individuals at corporate level, document review and data sampling. Evidence of target achievement was reviewed to ensure consistency with reported progress.

Comment

Crest Nicholson has continued to make significant progress in all areas of corporate responsibility. The commitments made at all levels of the business, from the Chief Executive and the Committee for Social Responsibility to specific managers are demonstrated by the achievements made during 2005.

Of particular note is the success in the ODPM 'Design for Manufacture' competition, which is driving forward new thinking in design and, through this, Crest has embraced innovation in sustainable design. The progress made in 2005 is just the beginning. The commitments made by Crest to continue along this process will see real benefits coming forward.

The recognition of the EcoHomes standard as a benchmark for demonstrating Crest's commitment to sustainable housing, and the increase in numbers of assessments undertaken during 2005, sets a baseline for future improvements. The survey undertaken to assess customer attitudes to EcoHomes helps

to raise the profile of what Crest is trying to achieve both with customers and with internal stakeholders, and to identify the most sustainable design options, i.e. meeting the needs of today's customers as well as future generations. It is recommended that as new designs are brought forward, this approach to customer engagement is continued.

Conclusions

Based on the information reviewed, RPS is confident that this report provides a comprehensive and balanced account of social and environmental improvements achieved during 2005. The data presented is based on a systematic and sufficiently robust collection process, and we are satisfied that the reported performance data accurately represent the current social and environmental performance of Crest Nicholson.

Charlotte Brewin

October 2006

Senior Consultant

RPS Group plc

RPS is an international consultancy and one of the UK's largest multi-disciplinary consultancies to public and private sector organisations. They provide advice on natural and built environments in the areas of planning, development, natural resource, property and health and safety.



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