



listening **to the** communities **we build**



Social and Environmental Report 2002





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chief executive's statement



Chief Executive
John Callcutt

Previous annual reports have outlined our strategies on demographic pressures, urban regeneration, affordable housing and environmentally sympathetic design practices. This year the Board of Directors made further significant commitments to the emerging concept of sustainable development. Crest Nicholson took the first step in moving towards the Global Reporting Initiative (GRI) 'Sustainability Reporting Guidelines'. The GRI is an internationally recognised initiative directed by representatives from such organisations as the Association of Chartered Certified Accountants, the United Nations Environment Programme and the World Business Council for Sustainable Development. Their aim is to disseminate globally applicable guidelines for voluntary reporting on the economic, environmental and social dimensions of organisational activities that contribute to sustainable development. Key sections in this report address our vision, strategy, governance and performance. We establish a selection of sector relevant strategic environmental and social performance indicators as base line data, to benchmark performance against previous years and the development sector generally.

listing



Environmental Manager
Paul Donnelly

This year resources were made available for the Chief Executive to appoint an Environmental Manager and to chair a 'Committee for Social Responsibility'. This resulted in the establishment of a more formal environmental structure to co-ordinate good practice. A major environmental and social review of our land buying, design, procurement and building activities took place. We continued to consult with many of our stakeholders through planning initiatives and customer surveys. Consequently, the Board of Directors has fully committed to the new 'Sustainable Development Policy' displayed in this report. More specific Environmental and Social policies can be viewed on our web site. Over the coming months more information on our social and environmental management systems will be reported via the web site.

Highlights of our performance this year include an increase in 'brownfield' development above Government targets, providing more opportunities for affordable housing and reducing social exclusion, poverty and degradation. Our consistent record in the assessment of 'brownfield' sites has allowed us to manage the consequences of the nation's industrial legacy and gain the development opportunities available after land restoration.

The turnover generated by our social housing partnerships is increasing and will do so significantly in 2004, continuing to address the widespread shortage of affordable housing. In the private housing sector we have formed more local partnerships engaging in stakeholder consultation at the planning stage on major projects, thus achieving community led solutions. Other stakeholder consultations, such as independent customer satisfaction surveys, have also produced consistently high or improving performance on quality and service.



chief executive's statement

Crest Nicholson has contributed resources to the development and trial of the Building Research Establishment's (BRE's) EcoHomes tool. This tool calculates the environmental rating for homes identifying those developers who improve environmental performance through good design and construction practice. It is a simple, realistic and straightforward approach towards improving the performance of homes in the areas of energy, transport, pollution, materials, water, land use, ecology health and well being, at minimal cost. The EcoHomes label offers important marketing opportunities to developers because their customers benefit from lower running costs, more efficient building services and a healthier and safer place to live.

Within Crest Nicholson, project teams have demonstrated the skills and experience needed to control the health, safety and environmental impacts of the construction process. Noise, vibration, water, waste and air contamination are being managed within build programmes. Systems have been implemented to recycle demolition material, renovate historic buildings and recycle secondary aggregates. This year central buying procedures established the more frequent use of enclosed silo cement production, reducing material spillage, noise and dust emissions.

Managers within Crest Nicholson have achieved commercial objectives whilst forming partnerships with voluntary groups such as the regional wildlife trusts, Shelter and local charities. Our partnership with Shelter created a surge in employee and company fund-raising initiatives that will benefit many of the services that Shelter provides to the homeless.

Crest Nicholson will continue to establish environmental and social initiatives throughout 2003. These include communicating the policies and structures needed for environmental protection and conservation of resources, as well as training. The Environmental Management programme includes training in partnership with The Natural Step (TNS). TNS is an international charity whose purpose is 'to deepen a genuine commitment to sustainable development through UK society using 'The Natural Step Framework.' For the development sector, this framework raises awareness of constructing buildings that are cost effective to build and maintain, using materials and systems that are easily replenished.

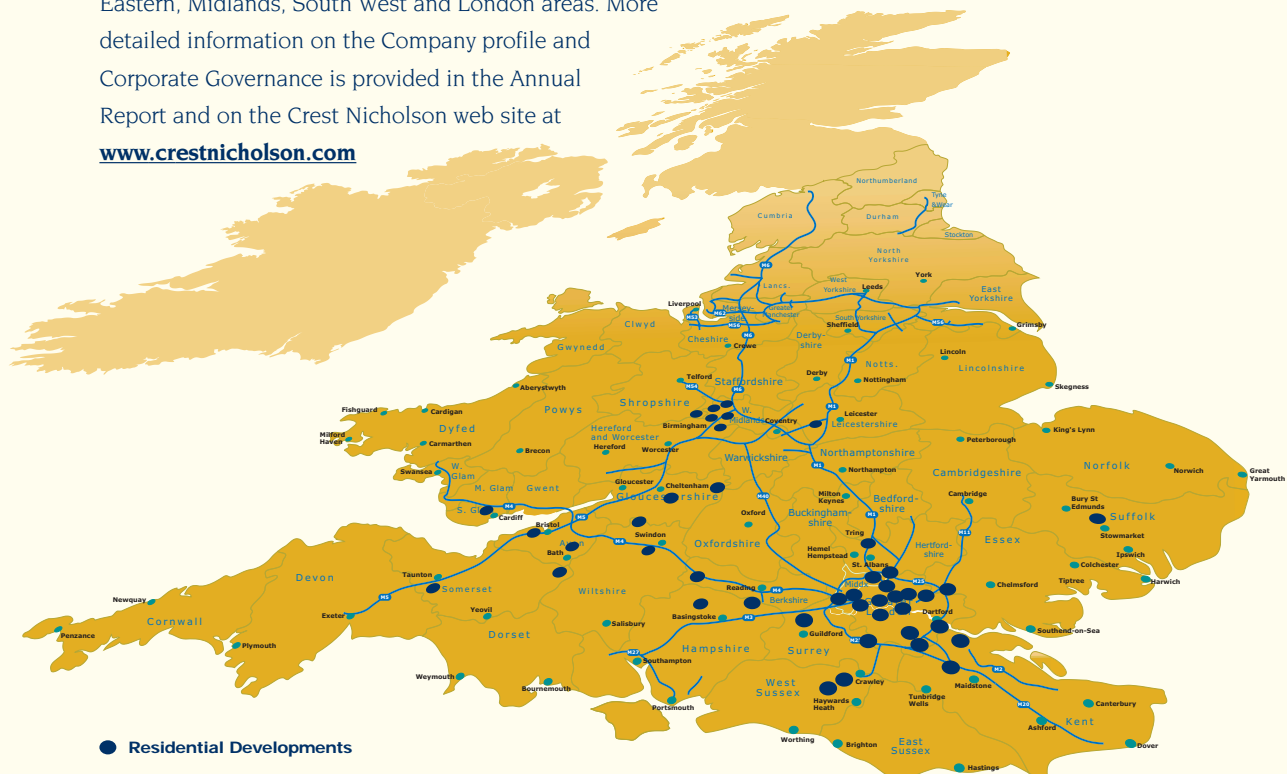
Ingress Park, Greenhithe, Kent. ►
Urban regeneration project 'respecting the local vernacular'.



company profile

Crest Nicholson is a residential development company which has consistently achieved excellent economic and social performance. In the five years since 1997, profits have increased from less than £20m to £63m. In 2001, the Company won recognition from the Royal Town Planning Institute (RTPI) for an urban regeneration project at Ingress Park, Greenhithe and in 2002, recognition from the Commission for Architecture and the Built Environment (CABE) for aspects of its community, environmental planning and design practices. The sale of the Group's construction business was completed in January 2003 consequently products and services relating to contracting activities are excluded from this report.

The content of this report therefore refers to residential and mixed-use property development operations, including centralised and regional land buying, planning, design, procurement, construction and supporting office infrastructure activities and services. In 2002, there were 6 regional offices representing the South, South East, Eastern, Midlands, South West and London areas. More detailed information on the Company profile and Corporate Governance is provided in the Annual Report and on the Crest Nicholson web site at www.crestnicholson.com





sustainable stakeholders

Crest Nicholson has identified and documented its key stakeholders through a business activity review conducted by the Environmental Manager. The Company recognises several groups of stakeholders relating to its business activities, ranging from land buying and planning through to residential and mixed-use development activities. Key stakeholders are listed below.

Stakeholders	Role & Responsibility	Relevance
Shareholders, bankers & providers of financial services	Provide capital and resources for development.	Ethical investment and involvement
Land owners	Supply of development land	Optimisation of value through remediation and sustainable uses
Planners and building regulators	Development and construction control	Implementation of social, environmental and economic policies
Architects, designers and technical draftsmen	Design of buildings and development layouts	Interpretation and implementation of sustainable design
Contractors and trades	Physical construction of development	Environmentally sound practices and protection of the environment and workforce
Employees	To manage and control the Company and its commercial activities	Design and implement cost effective and environmentally sound practices
Suppliers	Supply products and raw materials for construction	Sustainable sourcing of eco-efficient products
Customers	Owners and occupiers of houses and other buildings	Meeting current and future needs. Quality of service, product and environment. Sustainable occupation
Residents and local communities	People living, working or trading near developments	Consultation in design, management and economic impact
Media consultants, opinion researchers and consultants	Communications between the Company and its stakeholders	Obtaining and sampling stakeholder opinion, feedback communication
Industry and trade associations	Policy formulation and representation	Development of sustainability practices and representation to Government
Charities, trusts and forums	Voluntary bodies for relief of poverty and advancement of knowledge	Increasing understanding on sustainability and wider community obligations



stakeholder consultation

Crest Nicholson has several approaches to stakeholder consultation. The main methods are pre-construction opinion sampling, community consultation panels, development sector forums, quarterly customer satisfaction and site visitor surveys and the Annual General Meeting. All consultation methods, including feed back from award panels, are summarised by type in the table below.

The quarterly customer satisfaction survey reports provide Crest Nicholson with after sales feedback on aspects such as design, location, environment, appearance of communal areas, value for money, build quality and customer service. This information is used to measure satisfaction by function and identify areas for improvement. It also provides an overall index rating for measuring improvement on an annual basis and can therefore influence decision making and policy. Feedback on design can be monitored when the BRE EcoHomes benchmarking tool is applied in 2003. Through stakeholder dialogue the Company aims to balance short-term environmental costs with longer term cost saving to the customer and benefits to the environment.

Stakeholders	Consultation	Frequency	Performance
Shareholders, investors & employees	Annual General Meeting Annual Report, staff magazine, presentations & tours	Annual and bi-annual reports to Shareholders, quarterly staff magazines	Economic, social & environmental policy, strategy, management, major projects and initiatives
Partners, consultants, contractors & suppliers	Bidding process, contract vetting & feedback, supplier agreements	Each consultation and project bid or implementation	Economic, quality, community, health, safety & environmental standards of compliance and best practice
Regulatory bodies, sector associations & the press	Feasibility plans, research panels, workshops, feedback & award entry ratings	Frequency of circulars and focus group programmes	Social & environmental assessment, design, methodologies & reporting
Customers & local communities	Customer Survey Mori poll Community panels and construction conduct code	Quarterly Annual Major projects	Economic, social and environmental land use, energy, waste, society, transport



◀ Canon's Marsh, Bristol Harbourside. Stone arches from the derelict gas works will be converted into an arcade of small workshops and cafés.

stakeholder consultation

For most major projects, planning stage public consultation takes place. Some examples are described on the following pages and within other parts of this report.

Canon's Marsh, Bristol Harbourside

Crest Nicholson was involved in one of the most extensive public consultations in Bristol. The consultation was managed by independent experts and involved a wide range of interest groups and members of the public. Through a series of workshops, the public outlined a vision for the site and developed a list of crucial criteria. A much larger citizens' forum, including views from a programme of public displays and the interactive 'bristol-harbourside' web site, tested these criteria against a draft master plan produced by Edward Cullinan Architects. The public vision criteria prioritised sustainable aspects such as ethnic mix, heritage sensitivity, a safe and pleasing environment with creative views, pedestrian priority and good access and ease of movement. Much of this feedback has been included in the detailed design of the project and contributed to our development policies overall.

Park Central, Birmingham

The Park Central project in central Birmingham also includes a community consultation programme. Formal and informal public consultation will use imaginative ways of displaying information, including 3-D models and exhibitions. A regular newsletter will be produced in conjunction with local schools and the owners, Birmingham City Council and Optima Community Association. Crest Nicholson has engaged a resident artist to create works of art as part of the public art strategy. Crest Nicholson will also work with local colleges to organise a programme to train and qualify local construction trades. Many of these aspects are already included in the BRE 'sustainability checklist' that has helped Crest Nicholson form its social and environmental policies.

Park Central, Birmingham. A sustainable urban regeneration of ►
Leebank Estate and parks into a new city centre mixed-use quarter.





the vision

Crest Nicholson's objective is to build sustainable urban communities and revitalise town centres whilst meeting the needs of its stakeholders, especially its shareholders, employees, customers and the general public. To achieve this, the Company sees both opportunities and challenges in delivering well designed, competitively priced accommodation to meet a broad range of needs. The Company aspires to conduct its business in a market which is continually improving ethical, social, environmental and economic standards. This will require increased product and company transparency through the use of more formal and standardised measurements. The business sees future progress in stakeholder dialogue and innovative partnering that attributes more realistic values to natural and human capital. The Company will achieve this cost effectively through rapid learning, risk sharing, increased productivity and business efficiency.

Crest Nicholson will improve environmental standards through assessing the whole life cycle costs of its developments and increasing the eco-efficiency of the building design, procurement and construction process. Achieving high growth whilst reducing pollution and conserving resources will demand high levels of building innovation. Continued assessment and improvements in the areas of renewable energy, re-use of materials, reduced dependency on scarce resources and protection of the natural environment will bring continual progress. The Company believes that this approach will provide benefits to the environment as well as maintaining customer satisfaction and well being.





social and environmental aspects

This year saw the third environmental review of Crest Nicholson's main activities. These were identified as land buying, planning, design, procurement, the construction process itself and office and car fleet management.

A significant number of resource management objectives were identified through consultation with managers and directors within company activities such as Land Buying, Urban Regeneration, Partnership Housing, Human Resources, Marketing and Office Management. Within Crest's regional businesses, Design Executives, Build Directors, Commercial Directors and Buyers were consulted. The Finance Department provided data to identify major projects that were likely to have significant environmental and social impacts. Twelve major projects were assessed using standard development sector guidance tools. These included the Government's Environmental Impact Assessments (EIA) BRE EcoHomes' tool and sustainability checklist. Those aspects of major sites that were considered to have the most significant direct social and environmental impacts were identified as follows:

- land location, use, urban design and density;
- building adaptability, materials; environment, health and well-being;
- social exclusion, community, customer satisfaction, crime and local economy;
- travel, public transport, cycling, pedestrians and cars;
- waste management, pollution (air, noise, vibration); contaminated land;
- landscape, heritage and ecological value, microclimate and open space
- energy conservation and renewable energy sources;
- water conservation, sewerage and storm water.

Ingress Park, Greenhithe, Kent. ►
A derelict landing stage and riverside view.



These direct social and environmental aspects were those we considered had the greatest impact on our customers and the local communities immediately surrounding our developments.

Indirect social and environmental impacts were identified as those which affected the wider environment or whose effects were not readily apparent or identifiable on or near the development. These indirect impacts were generally to be influenced or controlled through procurement in the selection management and terms of supply negotiated with Crest's sub-contractors and suppliers of building materials and products. The Company has based its Sustainable Development policy on controlling both these direct and indirect aspects of its activities and has set out detailed environmental and social objectives with regard thereto. Each objective has a target and where appropriate that target is linked to a key performance indicator that can be measured and monitored. Crest Nicholson will progressively increase the use of the 'EcoHomes', 'Sustainability Checklist' and 'Housing Quality Indicators' (HQI) benchmarks. The main objectives and targets that will be monitored and measured in 2003 are summarised overpage.

Environmental



◀ Ingress Park, Greenhithe, Kent.
One of eight character areas based upon the site's history and physical characteristics.

objectives and targets

Aspects and Objectives

Strategic '...to comply with relevant social and environmental legislation...' & '...pollution prevention through our management framework and site programmes'

'Business Managers to maintain high growth, employment and form partnerships... to help regeneration, education and to train the unemployed'

Land '...to prioritise the acquisition of urban 'brownfield' sites

'...assessment and planning for contaminated land remediation through all phases of planning, design and construction'

Land Use 'to ensure higher house densities around town centres and public transport nodes and lower densities at edges of settlements

Building Procurement to develop longer term, non-adversarial relationshipswith environmental policy and eco-rating considerations

'...buyers to ensure that where timber and timber products are specified they will be from sustainably managed sources or be re-used or recycled timber'.

'...buyers to specify and procure building materials that will reduce environmental impacts balanced against economic and social responsibilities'

Targets and /or Key Performance Indicators

'To avoid social and environmental notices and prosecutions'... measured by the number of prosecutions per annum

Number of private project partnerships formed per year as a percentage of major projects and percentage turnover of social housing to total residential turnover

Exceed the Government's 60% target for new developments on 'brownfield land & '...proportion of new & refurbished housing to be in excess of local planning target'

Percentage of all sites with a preliminary environmental assessment and / or site investigation report (100%)

'Dwellings to be developed at a...density ...appropriate to site location ...efficient use of land & reduce the need to travel...minimum net densities – 30 and 50 homes/ha

Reduction in number of suppliers. Increase percentage of suppliers with environmental policies and / or management systems

'To source sustainably managed timber for basic building elements OR re-used timber OR timber products made from...waste streams (appropriate EcoHomes target)'

To obtain an 'A' rating from the BRE 'Green Guide for Housing' (appropriate EcoHomes target)

Aspects and Objectives

Social ‘... to seek community consultation to achieve mutually acceptable solutions, minimise opportunities for crime and protect and enhance the natural environment...’

‘... consult with neighbours, develop good local relations, raise health and safety standards and control environmental aspects of site activity’

Travel ‘...to develop land within walking distance of existing or planned public transport service to local centres or transport nodes

Waste ‘...to enable residents to recycle domestic waste

‘...to implement waste management systems or contracts that reduce, separate, reuse, recycle, measure and set reduction targets, while encouraging prefabrication

Landscape ‘...to enhance landscape, conserve ecology and protect existing high quality habitats

‘...to encourage residents to participate in local environmental initiatives’

Energy ... ‘to maximise opportunities for energy conservation and reducing carbon dioxide emissions in balance with economic and social constraints

Water ‘...to specify water conservation devices to reduce mains water use .

Targets and /or Key Performance Indicators

Percentage of major projects implementing planning stage local community stakeholder consultation

Percentage of major projects applying Crest Nicholson ‘Construction Code of Conduct’ or similar scheme

good access to public transport node (appropriate EcoHomes target, e.g., within 1000m)

‘...Provide for storage of recyclable waste (appropriate EcoHomes target)

‘...A Waste minimisation strategy to be implemented and monitored in the construction process. Segregated bins for construction waste & prefabricated components where suitable’

‘To maintain and enhance the ecological value of land (appropriate EcoHomes target) e.g., building on a site which is of low ecological value, enhancing the ecological value by consultation with expert and / or ensuring the protection of any existing ecological features

Implement an environmental awareness strategy such as offering free membership of environmental and wildlife trusts. Measurement by number of memberships per year

...‘to achieve CO2 emissions (appropriate EcoHomes target). e.g., less than or equal to 60 kg/m2/yr

‘...to provide rainwater butts to gardens, plant drought resistant species and provide moisture retaining mulch’



understanding impacts

Crest Nicholson sees inter-linked economic, social and environmental impacts that can be either positive or negative. For each social and environmental aspect such as land location, building adaptability and social exclusion, there are both opportunities and risks to be managed. Crest Nicholson assesses its activities so as to identify specific impacts and implement appropriate control measures. For example, by identifying and managing significant impacts within the land buying and development appraisal function, Crest Nicholson can either maximise positive impacts or change negative impacts to positive, such as:

- acquiring urban 'brownfield' sites to protect 'green belt' areas;
- taking opportunities to 'clean up' historical buildings and industrial contamination to add value to our heritage and the environment;
- building refurbishment rather than demolition conserves scarce resources and reduces carbon emissions;
- preserving instead of dispersing established communities. Choosing sites near to accessible services, facilities and amenities reduces the use of the car and promotes communities;
- raising the reputation of an area, creating demand from a broader section of society counters social exclusion.

These are just a few examples of inter-linked impacts in one aspect of the organisation's activities, i.e. land. Two examples of impacts, covering most of the aspects listed above, are given in the following case studies.

▲ Ingress Park, Greenhithe, Kent - an urban brownfield renewal project transforming a despoiled landscape which contained a derelict paper mill, college and abbey.



Ingress Park, Greenhithe Waterfront, near Dartford

Crest Nicholson Residential (South East) Limited entered into stakeholder consultation and positive design impacts were promoted through a joint steering group with planning consultants Tibbalds TM2. Rigorous public consultation procedures were followed with the local Borough Council and the community surrounding the development. Positive impacts such as adding value to a derelict environment and habitat conservation feedback were implemented.

The project also established and implemented its own 'construction code of conduct' to address the negative impacts of the construction process on the local community and environment. The code documented security, traffic management, pollution (air, water, land, noise, vibration), nuisance, waste, working hours and lighting impacts. At the start of the project, the site manager distributed a site information letter to nearby residents and free car washing services for the surrounding community was implemented to help offset the impact of dust generation by demolition.

The site was historically impacted by industrial activity from a paper mill resulting in a despoiled and derelict landscape. Environmental consultants and specialist contractors 'cleaned up' the site, improving the quality of the land. There was also earlier dereliction in the form of several Grade II listed structures, including an ancient abbey and a collection of unique follies and grottoes. The remnants of a Capability Brown parkland with acres of open space and a 750 metre riverside setting had all generally fallen into disuse.

As an urban 'brownfield' renewal project of 29 hectares, the aim was to create a mixed development of 950 residential dwellings. This would have a positive impact on local housing pressures and community building. There are plans for a primary school and nearly 6000 square metres of commercial, retail, business and leisure uses having a positive impact on education and employment.

The site is within the vicinity of the 'Thames Gateway' Channel Tunnel Rail Link (CTRL), the M25 Dartford Tunnel and Bridge crossings and the Bluewater shopping complex. It is therefore well located for positive use of public transport and existing retail facilities in close proximity to the site. Within the site the plan adopts a movement strategy that allows those on foot to link up with public transport to help minimise the car use.



◀ Ingress Park, Greenhithe, Kent.
Start of the renewal and expansion
of the riverside park.

understanding impacts

Local secondary aggregate use from the tunnel excavation reduced the impacts of primary aggregate resource depletion, aggregates tax and transportation. The secondary materials were used to raise the level of the site above the river flood plain, reducing the impact of future climate change. As much material as possible is reused or recycled on site. Old timber from the pier was recycled as street furniture and demolition rubble was crushed and reused for road and pile mat foundations.

There was great potential to create a positive impact and revitalise the Greenhithe area. Crest Nicholson created eight character areas based upon the site history and physical characteristics. The sensitive use of local materials, such as flint from the chalk helped the new to blend in with the old. The homes and apartments of the 'Village Heights' were designed to blend into the architecture of the locality and form new formal crescents and tree lined boulevards. There were also positive impacts based on restoration work outside of the site. With more than a third of the area comprising parkland, the creation of a countryside walk, linking historic and new features, was a priority impact. The waterfront is being progressively opened to the public and features an enlarged waterside park.

Positive social impacts were created by the provision of affordable housing in the form of apartments, cottages and terraced homes for first-time buyers, single people and the elderly, ensuring an integrated community and social mix. Future phases of the development plan for social housing.

This development illustrates the wide range of positive and negative impacts that require planning, designing and controlling in the areas of land use, building materials, community, local economy, travel, waste management, contaminated land, heritage and ecological value. It is consistent with current Government planning policy relating to urban land, density, design and car use.

Ingress Park, Greenhithe, Kent. ▶
Character area with timber bollards recycled from the derelict pier.





◀ **Repton Park, Chigwell, Essex.**
Restoration of the cricket pitch and pavilion for the local community.

understanding impacts

Repton Park, Chigwell, Essex

Crest Nicholson's proposal for the derelict Repton Park Sanatorium, including 235 acres of ancient woodland and 95 acres of open parkland, pasture and historic gardens, was to develop the site after public consultation regarding the development impacts. In conjunction with the London Borough of Redbridge, Epping Forest Borough Council, the London Wildlife Trust and MW Landscapes, the Company's proposal was to have a positive impact by re-creating the legacy of Humphry Repton, revealing landscapes hidden from the general public since 1789.

The Ecology Unit of London classified Repton Park as of Grade I status while under the ownership of the National Health Service. A number of ecological surveys of the ancient woodland, wildflower rich grassland and ponds were conducted. The surveys set benchmarks for vegetation, bat, hover fly and bird populations, recording a rich diversity of wildlife. Crest Nicholson committed to work with the trust and other stakeholders to preserve and enhance the environment.

Funds in excess of £1 million were set aside to minimise impacts of development on habitat and biodiversity whilst re-creating the original Repton landscape. This included an extensive replanting programme for tree lined boulevards and border planting through communal areas. The residential environment also included positive community impacts with the restoration of a cricket pitch and pavilion. London style squares were created with densely planted landscapes, beds of lavender and roses set around box hedges and manicured lawns. Crest Nicholson also created positive impacts on the land and streetscape outside of the site.

The landscape strategy was implemented over a period from 1999 to 2002. It has added value to the environment, become a focal point for residents and opened up the woodland to the local community. The project has heightened the overall desirability of Repton Park as a place to live. Redbridge Borough Council and the London Wildlife Trust have organised free events including bird watching, butterfly days and historic walks, a number of which are held at Repton Park. The relationship between The London Wildlife Trust and Crest Nicholson has already achieved much and has great potential in illustrating how developers can work with interested stakeholders towards more sustainable development.

Repton Park, Chigwell, Essex. ►
A view of the original 'Repton' landscape.





◀ Ingress Park, Greenhithe, Kent.
Derelict buildings were used as a source of secondary aggregates after demolition and crushing.

business strategy

Changes in Operation

Sustainable development needs to be commercially cost effective increasing shareholder value through delivering the social, economic and environmental 'triple bottom line'.

In 2002, Crest Nicholson undertook a major business review in response to national economic, social and environmental pressures, reflected in recent Government policy on planning and the environment. Changes have been directed towards meeting the need for urban regeneration, the housing shortage and creating more sustainable communities. The Company has committed to town centre redevelopment at a faster rate than 'edge of town' or greenfield projects, the emphasis being directed towards residential use. Many of the new urban sites will contain a mix of residential and non-residential uses including commercial offices, retail and leisure. The Company is co-ordinating its specialist skills in commercial property with residential development to create more sustainable urban mixed-use communities. Crest's six regional residential divisions are now supported by a new strategic urban regeneration unit. By following this strategy the Company will create opportunities to improve urban design and density, promote community well being, mitigate social exclusion and contribute to the local economy and public transport systems.

Ingress Park, Greenhithe, Kent. Opportunities were taken to restore ►
thirteen listed follies for incorporation into a heritage trail.



Crest Nicholson Plc sustainable development policy

Crest Nicholson is a residential development company. This policy covers residential and mixed-use development operations including land buying, planning, design, procurement, construction and the supporting office infrastructure. The business aims for partnership in the regeneration of 'brownfield' land and the provision of housing to a broader section of society. The Board is committed to higher levels of customer satisfaction by constructing well built sustainable homes and creating communities using designs and materials that respect our heritage and living environment.

Crest Nicholson has reviewed its business activities in the context of global, local, social and environmental pressures. As a consequence, the Board recognises linked economic, environmental, social, ethical and community responsibilities must be balanced with our commercial performance and our responsibility to increase shareholder value. A 'Committee for Social Responsibility' has been established and aims to develop positive relationships with our employees, our supply chain and the communities that we create.

The Board commits to:

- Provide capital for development provided it yields a fair return to our shareholders and cost effectively balances commercial and environmental objectives;
- To implement and maintain high standards of corporate governance and control;
- Report annually in accordance with the Global Reporting Initiative Guidelines;
- Provide customers with a high quality product and service;
- Comply with all relevant social and environmental legislation and to adhere to high standards of employment law and practice, equal opportunities and human rights;
- Prevent or mitigate pollution and waste of resources through our management framework and site programmes.

The operations of Crest Nicholson commit as follows:

- Land Buyers to prioritise 'brownland' seeking to address issues such as social exclusion, poverty and degradation;
- Designers to seek community input to achieve mutually acceptable solutions to development issues, minimise opportunities for crime and protect and enhance the natural environment, using renewable energy and material resources prudently;
- Procurement, to develop long term, non-adversarial contracts and partnerships with contractors and suppliers promoting environmental awareness and eco-ratings;
- Project Directors to consult with neighbours, develop good local relations, raise health and safety standards and control environmental aspects of site activity;
- Business Managers to help promote local employment and business growth by forming partnerships with voluntary groups to promote vocational education and help train the unemployed;
- Office Managers to improve environmental performance and cost effectiveness in the areas of paper use, waste, recycling, water, energy and transport.

A 'Sustainable Development' working party will monitor social and environmental performance and training with the aims of achieving continual improvement in these and other areas. Auditing and management reviews will ensure the communication of these policy objectives to all stakeholders and will ensure that the relevant targets are met.

A handwritten signature in blue ink, appearing to read 'J Callcutt'.

John Callcutt, Chief Executive

February 2003



management systems

Corporate Governance and Structure

To achieve its sustainability objectives within a framework of compliance and proper control, Crest Nicholson has a corporate governance structure as described in the Report and Accounts and illustrated by the organogram. The overall corporate governance structure follows traditional lines with the Main Board meeting regularly throughout the year, supported by specialist sub-committees that report to it within defined areas of responsibility. The Main Board is chaired by an independent director and consists of two further independent non-executive directors, the Chief Executive and four other executive directors.

There are four sub-committees of the Board which consist wholly or partly of non-executive directors, i.e. Audit Committee, Remuneration Committee, Nomination Committee and the Committee for Social Responsibility. There is also an Executive Committee comprising the executive directors and the company secretary. The Audit, Remuneration and Nomination Committees are chaired by independent directors. The Committee for Social Responsibility is chaired by the Chief Executive.

Below the Main Board and its committees a number of sub-committees and working groups have been established to make contributions in specialist areas of the Group's activities.

The Business Unit for Developing Sustainability (BUDS) is made up of senior managers and directors from various specialisations within the Group.

Control of risk

Crest Nicholson documented its risk management system in 2000 when a Risk Review Committee was formed. Major risks have been identified and the individual executives responsible for the management and control of those risks report to the Risk Review Committee on a regular basis.

The reports received by the Risk Review Committee cover such areas as health and safety, internal control systems and procedures, tax, law and Group policy and human resources.



Policy communication and training

This year saw the launch of the Company's 'Sustainable Development', 'Environment' and 'Social' policies on the Group's web site. The Corporate Intranet 'Grapevine' sets out 'Human Resources', 'Health and Safety', 'Accounting' and 'Group Authority Manual' policies to employees. A sustainable development awareness training programme was implemented in 2002 for BUDS working party members, together with the Group's public relations consultants, marketing directors and managers.

Health and Safety

It is the policy of Crest Nicholson to conduct its activities with due regard for the health and safety and welfare of its employees, contractors, visitors and members of the public. This policy and obligation covers all of the Group's activities. To this extent, assessment of the risks to health, safety and welfare of everyone directly affected by the Group's activities is a priority and is reflected within its Health and Safety policy and procedures. The Company Secretary, on behalf of the Board of Directors, is responsible for health, safety and welfare matters. The policy is implemented and reviewed regularly through the Health and Safety Committee that comprises the Company's independent advisors, together with nominated safety directors and senior health and safety managers.

Management systems and programmes

Crest Nicholson follows formal economic, environmental and social management system models. In 2002 the Company adopted the Environmental Management System (EMS) ISO 14001 requirements. An updated land acquisition procedure manual was established in 1999. Project management, build and sales procedures, are controlled by the formal reporting of Key Performance Indicators (KPI's) to the Board. A 'Build Procedures Manual' sets out requirements for the monthly management reports, central supply agreements and the reporting of monthly build cost statistics. Complementary systems include monthly marketing cost reviews, quarterly sales price review, market intelligence, customer satisfaction surveys and a complaint handling system. The sustainable development programme in 2002 involved the establishment of a Board Committee for Social Responsibility and the issue of documented policies setting out detailed objectives and targets.



management systems

Target setting, auditing and management reviews

Management target and budgets are set annually by the Main Board and progress monitored monthly covering commercial and non-commercial issues. Progress is also reviewed regularly by regional and departmental teams whose reports are remitted up and consolidated at Group level.

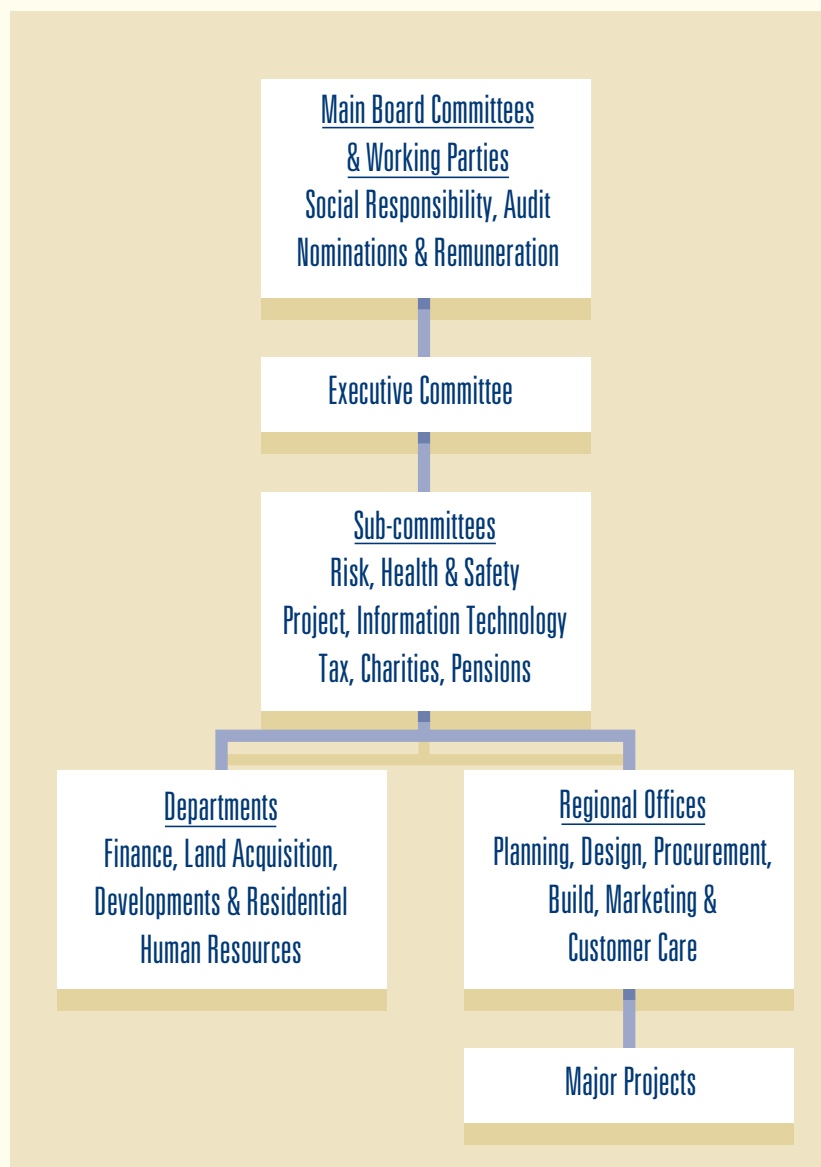
Additionally, special reviews are held to examine project specific proposals or to examine variances on exception reports. The Company has an internal audit department reporting to the Audit Committee that carries out regular and ad hoc investigations and checks.

The Company also engages consultants to carry out audits on a number of key areas such as commercial performance, health and safety, customer satisfaction and environmental issues.

Supply chain management

Indirect social and environmental impacts 'up stream' and 'down stream' are assessed through stakeholder consultation procedures described elsewhere in this report. Predominantly economic, technical and quality considerations are used as criteria for sub-contractor and supplier selection within the competitive tendering process. In future these criteria will be further supplemented by an assessment of the environmental impact of their product or service within the supply chain.

sustainable structure



social and environmental initiatives

Crest Nicholson has subscribed to and supported several regional, national and international agencies and associations involved in social and environmental issues.

Below, is a summary of where Company personnel have contributed active consultation in 2002 and recent years.

Voluntary Initiatives The House Builders Federation Adoption: Long Standing Status: National	Crest Nicholson's Contribution (2002) Contribution of time to forums and seminars, lobbying Government planning bills (e.g. housing density, flooding and pollution aspects) and technical consultation on building regulations (e.g. sound proofing)
Government Task Force Adoption: 2002 Status: National	Membership of John Prescott's Office Task Force, contributing, with other house builders and Local Authorities, to improving adoption of policies within PPG3. Prior Vale, Swindon development selected as one of seven UK case studies
The Princes Foundation Adoption: 1999 Status: National	Core sponsor of the 'Urban Villages' forum to promote a return of human values to architecture, the building arts, urban design and regeneration. Facilitating best practice visits to Greenhithe, Portishead & Attwood Green
Building Research Establishment (BRE) EcoHomes Adoption: 2000 Status: National	Company Architect contribution to the BRE EcoHome's Steering Group for housing development design best practice, covering energy, transport, pollution, materials, water, land use and ecology
The Natural Step (TNS) Charity Adoption: 2001 Status: International	Partnership to engage senior management in sustainable development using TNS Framework, a science based learning and decision-making programme for planning, design, procurement & build
Shelter Charity Adoption: 2002 Status: National	A three year partnership with Shelter to provide help and advice to the homeless and badly housed. Management and employees have raised £32,084 funds to sponsor a Shelter Advisor (December 02)
Sustainabilityworks (Housing Corporation) Adoption: 2002 Status: National	Participation in trialling the Housing Corporation sponsored web based tool to produce sustainable development policy, feasibility reports, implementation reports and feedback reports for sites
London Wildlife Trust Adoption: 1999 Status: London Region	Working together to preserve the Repton Park landscaped gardens. Ninety-five acres of Grade 1 Nature Conservation listed land
Forestry Commission Adoption: 2002 Status: National	Contribution of £5,000 to the 'The National Arboretum' Westonbirt Festival of Gardens
Surrey Wildlife Trust (SWT) Adoption: 1999 Status: South Region	Corporate partnership in sponsoring the SWT 'Wildlife gardening' leaflet; creation of a wooded copse, family membership to Crest homebuyers in Surrey; and educational equipment

The summary of social and environmental initiatives indicates the scope of consultation and knowledge sharing that, when fed back into the management system, implements good practice from corporate to project level.



performance

crest nicholson residential & mixed development operations

Strategic Indicators					
Environmental	Measure	2000	2001	2002	2003 (target)
Environmental policy	EIRIS rating	-	moderate	moderate	Good
Brownfield developments	% of all projects	60	60	70	75
Environment Assessments	% of all projects	100	100	100	100
Environmental prosecutions	Number	0	0	0	0
Environmental notices	Number	0	0	1	0

Environmental

Crest Nicholson's measure of environmental management is carried out through annual environmental reviews. In 2000 the Company commissioned RPS, independent consultants, to review the environmental aspects and impacts of design and construction. In 2001 a follow-up review recommended areas of further policy development with a structure for social and environmental responsibility. In 2002 Crest Nicholson's Environmental Manager conducted a sustainability review of activities on major development projects. With the aid of specialist consultants in the sector, social and environmental policies were drawn up, published and communicated to employees and the public via the Company's web sites. Consequently the Company's EIRIS rating for policy is expected to improve as clear evidence that formal social and environmental management systems are in place, is communicated to its various stakeholders throughout 2003.



performance

The Company's business strategy, policies and targets have set objectives to regenerate 'brownfield' land and exceed the Government's target of 60%. This was exceeded in 2002 by 10%. However, in order to benefit from these opportunities risks must be managed and solutions involving remediation and regeneration must be dealt with expertly and cost effectively. All land acquisitions and prospective sites are subject to a specialist consultant desk study and on-site investigation reports commissioned to determine ground conditions and the extent and type of contamination. A regime for any necessary remediation is then approved and implemented. Other investigations may include ecological, archaeological and transportation assessments. Some larger developments will also have a mandatory or voluntary Environmental Impact Assessment (EIA). The Company's target is to maintain its exemplary record in reducing and managing the environmental risks of historic contamination, minimising the adverse impact of the construction process on the environment.

Crest Nicholson has had no environmental prosecutions and only one environmental notice in 2002 regarding historical, residual contamination on an old site. This notice is being processed by legal experts in conjunction with the previous owners of the land. An environmental awareness-training programme in 2003 will further support good practice in the prevention of pollution during construction.

Performance in design and procurement will be measured in 2003 through EcoHomes check lists. The minimum requirement of an EcoHomes 'pass' rating for social housing will be a performance benchmark. Supply chain management has been reviewed and the number of suppliers reduced to form longer term and closer partnerships. The mandatory trading agreement and group pricing agreement lists are being reviewed to assess and record those suppliers with environmental policies and/or management systems.

Employees

Permanent staff turnover data has been reported to the Board as an estimated figure in 2001 and as an underlying figure in 2002. Re-organisation has significantly increased turnover recently but now that this process is completed, further improvements are expected, with the recent implementation of the Human Resources management system. Human Resources' policies have been communicated to employees in such fields as training, employee relations, management and succession resourcing, staff appraisals and health and safety via the corporate intranet and through staff presentations.

performance

Strategic Indicators Social	Measure	2000	2001	2002	2003 (target)
Permanent staff turnover	% staff	-	33	23	22
Advertising complaints	Number per year	0	0	0	0
Social Housing partnerships	% turnover generated	5.6	5.2	5.5	6.0
Development partnerships	% major developments	-	17	25	30
Community consultation	% major developments	10	20	33	40
Procurement agreements	% turnover	45	45	38	35
Customer satisfaction	% rating from survey	72	76	76	78
Customer satisfaction	Mori Poll Star Rating	3	3	N/A	3
Charitable donations	£'s per pre-tax profit	0.0005	0.0004	0.0004	0.0005

Marketing and sales are a significant activity within the residential development sector and there have been no complaints or prosecutions on advertising standards in the period of performance measurement. This trend is likely to continue as marketing is part of the sustainability awareness programme and sales team performance continues to improve as measured by the Group's independent customer satisfaction surveys.

Social housing production has increased and kept pace with the combined property and residential mix turnover. The social housing target for 2003 has increased, reflecting the additional numbers coming from existing social projects, progressing from the feasibility phase in 2002 to the implementation phases in 2003. A significant proportion of social housing turnover is already contracted for 2004 and is expected to increase still further during the year.

Community stakeholder consultation within the company's major residential and mixed developments has steadily increased over the years. The data is estimated as a percentage of the twelve major projects in 2002 and is cumulative as the consultation process can last several years. The most recent consultations are at Bristol Harbourside and Park Central in Birmingham.

Crest Nicholson also commissions quarterly customer satisfaction surveys from an independent consultant. Sales, construction and customer services performances are measured. Customer opinion on value for money, location, design, site layout, parking, internal spaces and soundproofing is collected and presented in graphic and statistical form. The Managing Director of the Residential Division reviews these indicators during the year for improvements. Staff remuneration and bonuses are geared to customer satisfaction benchmarks.

performance

The National Customer Satisfaction Survey is a key performance indicator and benchmark for Crest Nicholson Residential. The Survey is commissioned independently by the Housing Forum and sponsored by the DTI to cover the quality of the home, and service provided. It has been conducted in 2000 and 2001 and overall Crest has obtained 41 stars out of a possible 42. The next survey is scheduled for 2003 and the Company's aim is to maintain these high ratings for value for money, construction, finish, condition on moving in and after-sales service.

Crest Nicholson Plc Awards Award	Category	2001	2002
Royal Town Planning Institute	Planning and Urban Design	Award	-
CABE	Architecture & Urban Design	-	Citation
What House	Best Development	Gold, Silver	-
	Best Volume Builder	Silver	-
	Best 'Brownfield' Development	Gold	Silver
	Best Exterior Design	-	Silver
	Best Landscaped Design	-	Bronze
	Best House	Gold	-
	Best Apartments	-	Bronze
Building House Quality	Customer Improvement Strategy	Best	Best
Retail Property	Town centre shop/store design	-	Most innovative
Daily Express House Builder	Service	-	PSG Quality
	Best National Builder	Gold, Silver	Silver
	House Beautiful	Award	-
Evening Standard	3 Bedroom	Best	-
	Apartment	Best	-
	New conversion	Best	-
CABE = Commission for Architecture and the Built Environment			

The Ingress Park urban regeneration project at Greenhithe won the Royal Town Planning Institute (RTPI) award in 2001 where judges' comments stated that "the challenge was to produce a development which respected the historic landscape, incorporated listed structures and responded to connections to existing communities". This project also won the best 'Brownfield' development in 2001. Crest Nicholson was recognised by the Commission for Architecture and the Built Environment for "consistent championing of the importance of good architecture and urban design during 2002".

performance

Declared charitable donations by staff and the Company have increased over the last year due to the partnership with Shelter. These figures do not reflect undisclosed donations to environmental charities listed within our 'initiatives' section. Figures up to December 2002, from Shelter alone, indicated donations from the Company and employees had amounted to £32,084 from two annual awards lunches, the 'Three Peaks Challenge' and a golf day.

Strategic Indicators Social	Measure	2000	2001	2002	2003 (target)
Health & Safety Enforcement	Prosecutions	1	0	0	0
Health & Safety Enforcement	Improvement Notices	1	1	1	0
Health & Safety Training	Man days	31	14	23	30
Health & Safety Inspections	Number of visits	590	612	624	625

Health and Safety

In the 24 months covering the period 2001 – 2002 a total of two Prohibition Notices were issued by the Health and Safety Executive on Crest Nicholson Residential sites relating to sub-contractor work practices. The management teams on all of our sites were made aware of these incidents and where necessary additional training or changes to work practices were put in place. With regard to reportable incidents the Group has consistently recorded incident rates below the national average which reflects the Group's objective to strive to improve continually on all issues of health, safety and welfare.

The Group's independent safety consultants visit all construction sites on at least a monthly basis. The results are sent to the directors responsible so that accident rates and recurring incidents can be monitored. Any specific recurring incidents are targeted by management and by regular site inspections. The Group has always invested in Health and safety training at all levels of management. In addition, all new employees go through an induction programme that includes basic health and safety training.



progress and programme

Management Policy	Progress 2002	Programme 2003
	Sustainable development, environmental, social, human resources and health and safety policies established & communicated on Corporate web sites	Continued communication of 'hard copy' policies to regional offices and all project sites to raise awareness of overarching objectives
Objectives	Trial of web based tool incorporating 'EcoHomes', 'Sustainability check list' and Housing Quality Indicator (HQI) objectives for management of major projects	Selection of major residential and mixed development projects to implement sustainability management system. Review of office and car fleet environmental management system
Shelter	Fund raising and participating in suppliers and sub-contractors auction contributions, donations of household items to Shelter shops, 'Three Peaks Challenge' and a golf day	Fund raising and participating in the Flora London Marathon, donation of books to Shelter shops, payroll giving, Three Peaks Challenge and sponsored bike ride
Surrey Wildlife Trust	Review of Site of Special Scientific Interest (SSSI) for possible acquisition	Present case for investment in SSSI biodiversity project. Management plan to Committee for Social Responsibility and the sustainability working party
Structure	Committee for Social Responsibility established with position, statement and terms of reference. Business Unit for Developing Sustainability (BUDS) working party established	Documentation of detailed sustainable development management system for regional and project members with defined responsibilities
Training & Emergency Response	Sustainable development initiative awareness training given to Committee for Social Responsibility, BUDS, PR Companies and marketing and sales directors and managers	Continued awareness training to regional companies and site management. Combined environmental and health & safety induction and 'tool box' talks. Use of environmental best practice videos and emergency response guidance
Research	Scope for The Natural Step (TNS) Pathfinder Work Programme proposal. Proposal for sustainable building material and systems training. Review training within the organisation	TNS to facilitate a workshop and a presentation to key leaders to develop a strategy with actions.
Communication	Use of PR and corporate web site to outline sustainable development management system elements and initiatives	Establish shared server for Committee for Social Responsibility and regional / project members for access to the management system
Auditing	Review of existing economic, social and environmental procedures and best practice	Feasibility of combined environmental and health & safety auditing. Use of risk and environmental best practice guidance as auditing tool
Review	Social and environmental review of activity with project managers and directors in land buying, planning, design, procurement, finance, human resources and construction	Production of review report listing significant aspects, impacts and objectives with selection of targets to report to the board committee
Stakeholder Consultation	Review all methods of stakeholder consultation employed and frequency of use	Recording of major development stakeholder consultations
Measurement and Reporting	Production of first social and environmental report following the Global Reporting Initiative (GRI) format for sustainability	Production of feasibility, implementation and feedback reports for major residential and mixed-use developments
FTSE4Good Index Series	Review requirements of membership of the FTSE4Good that aims to set a global standard for Socially Responsible Investment (SRI)	Publish and provide information and data on our policies, management systems and reporting, to satisfy the new criteria and gain entry into the index



access to information

Crest Nicholson Plc provides public access to policies and performance indicators about economic, environmental and social aspects of its activities in its Annual Reports and via the web site.



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