



Crest
NICHOLSON

Corporate Responsibility Report
2004



Listening to the communities we build

Crest Nicholson PLC - Sustainable Development policy

This policy covers all Group activities including land buying, planning, design, procurement, construction and the supporting office services. The Group is seeking to achieve partnership in community regeneration and the provision of housing to a broad section of society. 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.

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. A 'Committee for Social Responsibility' has been established to develop positive relationships with all of our shareholders, employees, development partners and the communities that we create.

The Board commits to:

- Provide capital for sustainable development that yields a fair return to our shareholders
- Implement and maintain high standards of corporate governance
- Comply with all relevant social and environmental legislation
- Prevent pollution and waste of resources to protect the environment
- Keep customers informed and provide them with high quality sustainable products and services
- Report annually on non-financial performance in accordance with recognised guidelines

Operationally Crest Nicholson commits as follows:

- Land buyers - to address community and environmental issues when seeking to secure future land supply
- Designers - to seek community input to achieve mutually acceptable social and environmental development solutions
- Procurement - to develop long term, non-adversarial partnerships with contractors and suppliers promoting higher social and environmental standards where possible
- Project Directors - to develop good local relations, raise site health and safety standards and improve control over environmental impacts
- Regional Managers - to help promote local employment by forming partnerships with voluntary groups to help train the unemployed
- Sales, Marketing and Customer Services - to raise the awareness of our customers to the benefits of sustainable homes
- Office Managers - to improve environmental performance and cost effectiveness in the areas of paper use, transport reduction, waste minimisation, water use and energy conservation

The Committee for Social Responsibility will monitor, review and report on these commitments annually. Staff training programmes cover the Group's Sustainable Development policy and the objectives to achieve continual improvement. The annual report and supporting monitoring programmes should ensure our sustainable development objectives and targets are communicated to all stakeholders.



John Callcutt, Chief Executive

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Main cover picture: Portishead power station prior to redevelopment into Port Marine
 Small cover pictures, left to right:

A city centre regeneration with apartments above commercial units at Harbourside, Bristol (a computer generated illustration)

A visit from Woodview School to Park Central, Birmingham during Construction Week

Public art reflecting local history is used as a communal focal point at Port Marine, Portishead, North Somerset

A dormouse nesting box survey records another new resident at Bolnore Village, Haywards Heath, West Sussex

Communities are defined by architecture that reflects local character areas at Ingress Park, Greenhithe, Kent

Scope

This report covers the Crest Nicholson Group's social and environmental responsibilities for the financial year to 31st October 2004, unless otherwise stated.

Report format

The report format has been set out to meet our business requirements and those of our stakeholders. We have followed the Global Reporting Initiative (GRI) guidelines where possible and provide a GRI Content Index. This Index enables performance comparison both within the development sector and across other business sectors. A Performance Section gives a range of quantitative economic, environmental, social and society indicators. The format also makes environmental sustainability, stakeholder and human rights information comparable with the FTSE4 Good index series criteria. Some section headings allow assessment against the Business in the Community (BiTC) Corporate Responsibility and Environment Index criteria. Our main corporate responsibility issues are summarised at the beginning of the key sections. Benchmark and target data is tabulated in the relevant sections. More detailed sustainable development case studies can be accessed via our website www.crestnicholson.com

Data

The Group's Board and Committee for Social Responsibility have reviewed this annual report. Within the Performance Indicators section we indicate where we do not have data or the management systems to collect certain data. Where national benchmarks are not available we compare our performance against previous years' measurements. We have used re-stated data from the 2004 Annual Report. Financial data from 2000 to 2002 has been used to evaluate environmental performance over a longer period of time and enabled us to select more realistic objectives and targets for future performance. We have committed to external verification of our report for the current and future years.

1. Chief Executive's statement



Chief Executive **John Callcutt**

We have announced record profits in line with market expectations and have achieved an increase in the number of housing units sold. We have also more than doubled the affordable homes sold. This, as expected, has reduced the average sale price of our houses and contributed to our competitiveness in a

price sensitive market. We have been appointed lead developer and partner in two of the UK's largest development projects at Milton Keynes and Bath. Our short-term land bank has been maintained at over five years' supply and our strategic land bank continues to offer excellent prospects in terms of strategic sites being included in local plans. We are beginning to show the success of our track record in the delivery of master planning for large scale mixed use sustainable developments. We look forward to continuing success in the huge urban regeneration market to serve both our shareholders and community interests.

We have also participated with and benefited from various levels of involvement with the Building Research Establishment and the Construction Industry Research and Information Association. We have contributed time and resources to helping progress work on:

- the code for sustainable buildings;
- communication on sustainable development with the investment community; and
- making construction industry environmental best practice, waste management and compliance more accessible.

Sustainable development vision

We are well placed to play a major role in delivering new sustainable communities and the supply of the affordable homes that are so clearly needed in all our areas of our operations. Our ambition is to become a leader in an urban regeneration market that is raising ethical, social, environmental and building standards. We seek to play a leading role in the creation of well-balanced and economically viable communities containing a mix of residential and commercial uses. In this way, Crest Nicholson believes it can increase the quality of urban life whilst making a contribution to global sustainability.

Sustainable development strategy

To achieve this vision Crest Nicholson's strategy is to:

- seek to deliver ever higher environmental standards;
- invest in high quality social infrastructure and public spaces;
- optimise returns on sustainable design excellence and quality concept developments;
- partner with innovative suppliers/contractors for cost certainty, quality and modern methods of construction;
- react to market changes with product spread, affordable homes and a quality service; and
- become the partner of choice to the public and private sectors.

1. Chief Executive's statement



Chief Operating Officer **Stephen Stone**

Corporate resources

Our response to social and environmental issues has been to set up a Board level Committee for Social Responsibility. A Group Environmental Manager co-ordinates the collection and review of non-financial performance data in order to improve management systems

and reporting standards. In 2004 we conducted a stakeholder feedback analysis and established a sustainable development management system that was launched on the Company intranet. Employee consultation, training initiatives and project specific action plans have been established for most workplace activities and on two of our flagship city centre regeneration sites. Based on these management

system resources we entered the Business in the Community (BiTC) Corporate Responsibility Index survey for the second year running and achieved a position in the Sunday Times 'Top 100 companies that Count'. The BiTC defines corporate responsibility as a company's positive impact on society and the environment through its operations, products or services and through its interactions with key stakeholders such as employees, customers, investors, communities and suppliers. Some 500 companies were invited to take part and our ranking rose to 88th position placing Crest Nicholson as the only housing developer in the top 100 companies.

Challenges and opportunities

The Board believes that the Group has started to demonstrate that we have the expertise needed to make sustainable development cost effective. Continued progress in innovative partnering within the public, private and not for profit sectors will help us to share project risks and increase productivity. Achieving higher

productivity, whilst reducing environmental impacts, will demand much higher standards in planning, procurement and construction innovation. We are beginning to plan communities with buildings and transport systems that will be less reliant on the traditional levels of fossil fuel consumption and are considering renewable energy options. Our market positioning offers our shareholders excellent prospects for future growth and increased value.



The Company intranet, sustainable development management system

1. Chief Executive's statement

Achievement highlights

Key performance indicators that show progress towards our vision are summarised below. In many areas we have met and exceeded key targets in some cases well beyond compliance requirements.

	2003	2004
Financial sustainability		
Increasing shareholder value through sustainable development and community provision		
Profits increased by 10%	£74.6m	£82.1m
Earnings per share increased by 9.3%	45.2p	49.4p
Dividends per share increased by 11.8%	11.0p	12.3p
Land resources		
Securing land resources and adding value through sustainable development		
Housing portfolio development value increased by 16.5%	£2,287m	£2,664m
Plots with consent for housing increased by 14.1%	13,204	15,060
Number of strategic plots (broadly comparable)	13,236	13,182
Marketplace and community needs		
Meeting the demand for affordable homes		
Number of houses sold (up 30.4%)	1,936	2,524
Social housing target of 600 units exceeded	308	712
Average house sale price down 12.2%	£239,300	£210,000
National Customer Satisfaction Survey (MORI) star rating	3 stars	Not published
Human resources		
Establishing Group wide management systems and stable work place conditions.		
Number of employees	899	887
Training (average hours per employee)	-	15 hours per employee
*Net employment creation	5%	5%
Permanent staff turnover	21%	21%
Annual Injury Incident Rate (AIIR sector average 1172)	-	1266
Environmental performance		
Launch of a Group wide sustainable development management system.		
BiTC Corporate Responsibility Index % score and rank	72.86 (not ranked)	77.00 (88/178)
Business in the Environment (BiE) Index % score and rank	61.17 (159/176)	77.57(108/168)
% of 'brown field' sites developed (60% benchmark)	75	76
Average home energy efficiency (SAP) rating up 5%	95/120	100/120
**EcoHomes Group average rating ('Good' range 48-59)	-	50.35
***Construction skip cost % of build cost (target <0.50)	0.48	0.51
Construction skip volume (cu.m) reduced by 1.6%	50,752	49,927
Number of environmental prosecutions	1****	0

- not previously measured

* 2003 figure includes divested marina employees. Marina business divested in 2004

** average design stage ecohome rating for 208 independently certified homes

*** Skip waste cost increased by 35% and housing production increased by 30% in 2004

****re-adjusted figure

1. Chief Executive's statement

The sustainable development management programme for 2005 is to:

- continue the long term growth in the provision of affordable homes in areas of demand;
- increase the number of homes assessed under the EcoHomes rating system;
- improve our EcoHomes 'Good' rating average to achieve more 'Very Good' ratings;
- commit to an increase in registration of build sites to the Considerate Constructors Scheme;
- continue our sustainable development consultation workshop programme;
- reduce build skip waste volume and keep costs below 0.5% of build costs;
- track our performance in formally agreed contributions to communities;
- improve environmental procedures for the procurement of materials and products;
- progress implementation of the annual staff appraisal system to the next level of employees;
- continually improve the Group Occupational Health and Safety performance;
- reduce annual injury incident rate (AIIR) to be below the construction industry average; and
- maintain effective health and safety policies, procedures and standards.



The Island - Brentford Lock, Middlesex, is a new waterside community in a conservation area

2. Company profile

Operations

In 2004 we had an average of 887 employees with expertise in a whole range of development disciplines. Key activities include: land buying, finance, planning, architecture, design, build management, sales, marketing and customer services. The Group turnover increased to £643.2 million as indicated by the graph opposite. The Group residential operations are carried out by regional companies: London, South, South East, Eastern, South West and Midlands.

Towards the end of 2004 the Eastern region was divided in two. A Chiltern region was formed to meet the demand for growth in the Hertfordshire, Middlesex, Bedfordshire and Buckinghamshire areas. The Eastern region is to focus on existing growth projects in East Anglia, Essex and the Thames Gateway. In addition, Crest Nicholson Projects, a new business unit was formed to focus on the procurement of major residential and urban regeneration projects with an emphasis on mixed use. These projects are in the heart of our town centres where in addition to residential specialist commercial development skills are often required.

Joint ventures

In addition to our main portfolio of residential and mixed-use urban regeneration projects described within the Community and Environmental Stewardship section of this report we have a number of joint ventures arrangements as follows:

Century House Property Partnership

In 2004 the renovation of 100 Westminster Bridge Road, London was completed in a 50% owned partnership with Mount City. The renovation transformed a former twenty-storey tower block into a new landmark. The building comprises 180 private sale and 56 affordable apartments. The apartments are of contemporary design with open plan interiors and superb panoramic views.

Brentford Lock Limited

A 50% owned residential development with Charles Church, creating a new waterside community of town houses, apartments and penthouses. The Lock Island is now part of Brentford's popular conservation area including the heritage of Brunel's waterway terminus located within nine miles of Central London.

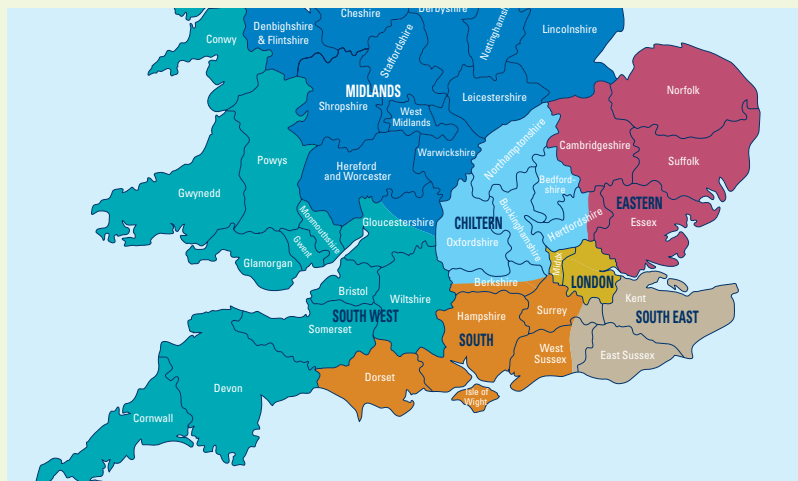
Chertsey North

Together with Morley Fund Management we plan to develop a 128 ha former Ministry of Defence complex of offices, workshops and warehouses straddling the M3 motorway. For the 43 ha northern sector of the site we have applied the South East of England Development Agency sustainability checklist for the planning phase as it is adjacent to a nature conservation area. A low profile, 116,125sq.m business park with 24 commercial units is planned. The site will, as part of its traffic management plan, be accessed from the adjacent, but under used Longcross Halt railway station.

Bath Western Riverside

Crest Nicholson has entered into a collaboration agreement with Grosvenor, the international property development and investment group, for the regeneration of Bath Western Riverside. Other partners are Bath and North East Somerset Council and the South West Regional Development Agency. The 26 ha development is one of the largest brownfield regeneration projects in the South West with an estimated capital development value in excess of £1 billion. The partners will jointly promote the Master plan to start on site in 2006. The programme will comprise over 2,000 dwellings, 100,000sq.m of mixed commercial uses and a supporting community infrastructure. The site will be developed over a 12-year period.

2. Company profile



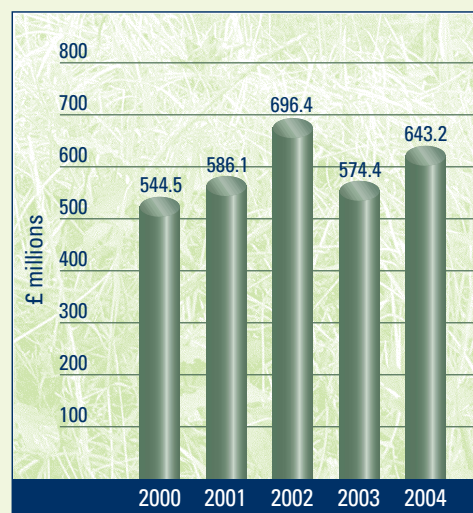
Crest Nicholson's seven regional boundaries



Transformation of 100 Westminster Bridge Road, London SE1, into private and affordable apartments

Major residential, commercial and mixed use developments

Year of Completion	Development project	Number of Residential Units	Commercial area sq.m
2007	Napsbury, Hertfordshire	410	-
2007	Hemel Hempstead, Hertfordshire	100	23,039
2008	Camberley, Surrey	218	21,829
2009	Ingress Park, Greenhithe, Kent	1,150	1,858
2010	Braydon Mead, Swindon, Wiltshire	800	-
2010	Farnham, Surrey	296	19,338
2011	Bolnore Village, Sussex	920	929
2011	Port Marine, Portishead, Avon	1,333	9,290
2011	Bristol Harbourside, Avon	680	53,603
2012	Red Lodge, Cambridgeshire	780	-
2012	Park Central, Birmingham	1,640	18,398
2015	Chertsey – North, Surrey	53	39,483
2014	Oakgrove Millennium Community	2000	7,500
2018	Bath Western Riverside, Somerset	2000	30,481



Turnover



Crest Nicholson PLC main board directors

3. Governance and management

Structure

Crest Nicholson has a corporate governance structure that follows traditional lines with the Main Board meeting regularly throughout the year, supported by committees that report to it within defined areas of responsibility. As a listed Company, we apply the principles of the Combined Code as set out within the Corporate Governance section of the 2004 Annual Report.

Main Board committees

The Main Board currently consists of a Chairman, three independent non-executive directors, and four executive directors, including the Chief Executive. The Chief Executive takes ultimate responsibility for occupational health and safety, employee issues, human rights, community issues and the environmental aspects of our business. The Chief Operating Officer has responsibility for our marketplace contractor, supplier and customer issues. There are four committees of the Board consisting wholly or partly of non-executive directors selected for their experience and expertise. These committees are as follows:

- Audit Committee.
- Remuneration Committee.
- Nomination Committee.
- Committee for Social Responsibility.

Executive Committee (a committee of the Board)

The Executive Committee comprises the executive directors and the company secretary with supporting sub-committees for:

- Project Appraisal and Authorisation.
- Health and Safety.
- Business Improvement.
- Risk Review.

3. Governance and management

Risk control

The Risk Review Committee is responsible for identifying significant project and non-project risk types and ensuring that responsibility for managing those risks has been allocated. It also reviews how those responsibilities are being discharged. Compliance with certain of the legal and regulatory obligations and associated data is set out within the various sections of this report including the Performance Indicators Section.

Target setting

The Main Board sets financial, operational and other non-financial objectives and targets annually. It monitors progress regularly, both directly and through its committees. Numerical targets achieved in 2004 and those set for 2005 are summarised in the highlights of the Chief Executive's Statement and in more detail throughout this report. Regional reports are consolidated at Group level and reported to either the Main Board or the relevant committees as listed above.

Audit and review

Group managers together with consultants carry out reviews on a number of key areas such as training, health and safety, customer satisfaction and environmental assessments. The Committee for Social Responsibility performance reviews take place annually after all data for the proceeding financial year has been collected.

Management system responsibility

The Chief Executive assigns key commercial, employee and other social responsibilities to the Chief Operating Officer, the Finance Director, the Group Land Director and the Company Secretary. Responsibilities are further defined as follows:

Workplace and Community - Group Human Resources Executive and Planning Executives

Health and Safety - Group Health and Safety Manager

Environmental Sustainability - Group Environmental Manager

Contractors and suppliers marketplace - Group Surveying Manager and Group Buyer

Customers marketplace - Group Sales and Marketing Manager and Customer Services Managers

Corporate responsibility

In 2004 we maintained our position on the FTSE4 Good index series for socially responsible companies by following their criteria on communicating our Sustainable Development policy, increasing stakeholder consultation and integrating social and environmental values into our management systems through our Committee for Social Responsibility.

3. Governance and management

We follow the Environmental Management System model ISO14001 and our Group intranet gives employees access to the following:

Sustainable development

- policy, land assessment tools and guides for sustainable development planning;
- access to the BRE 'EcoHomes' and 'BREEAM for offices' predictive check lists;
- search facilities for sustainable products and materials;
- access to relevant environmental legislation for compliance and best practice;
- waste exchange, recycling and other environmental controls; and
- annual performance reports, case studies and training resources.

Human resources

- workplace policies and procedures (equal opportunities and training);
- pay and benefits (bonus, share, pensions, health, life assurance schemes);
- risk control (fidelity, confidentiality, whistle blowing, non-solicitation, outside interests);
- health, welfare and safety (accidents, alcohol, drugs, fire, emergency, smoking, stress);
- capability, discipline and grievance;
- appeals, cautions, parental leave, study leave and retirement.

Occupational health and safety

- policy, management structure, manuals, forms, safe systems of working and useful web links based on Occupational Health and Safety Assessment Series 18001.

Commercial and buying

- Commercial and purchasing policies, legislation, contractor agreements, home product and material specifications and supplier agreements with links to their web sites and supplier policies.

Sales, marketing and customer services

- Guidance on home energy efficiency and award winning developments. A 'Building Relationships' Guide for homebuyers is described within the Customer Service section of this report.

To measure progress in corporate governance and management Crest Nicholson participated in the Business in the Community (BiTC) independent benchmarking process. We improved our overall Corporate Responsibility Index score to 77% (72.86%, 2003) and our Environment Index score to 77.57% (61.17%, 2003). Crest Nicholson is ranked in the Top 100 "Companies That Count" that are listed annually in the Sunday Times Business Supplement. The index ranks each company on how it is measuring, managing and reporting its social and environmental activities. The index process is validated by Chief Executive sign off, BiTC review, company visits, where necessary and independent assurance by Arthur D Little, the management consultants. Crest Nicholson scored highest in the areas of social and environmental strategy (outstanding performance >95%) and integration of corporate responsibility (increasing performance). Marketplace and workplace management performance was also outstanding. Areas for improvement in 2005 include community, environment and social management and impact controls.



4. Stakeholders

The establishment of our Sustainable Development policy has been based on development sector consultations described in the following sections of this report. All of our stakeholders have access to our 'Sustainable Development' area on the Group web site at www.crestnicholson.com. A feedback form invites comment on our operations. A steady increase in dialogue has been recorded throughout 2004. We responded to 119 emails to address the issues raised. Although this is a relatively small sample of the number of people we engage with during our daily business, their enquiries represent stakeholders who care about society and the environment. Our main stakeholder groups are represented on the graph over the page. The most significant feedback received is from the local communities surrounding our sites, our supply chain, academia and our customers.

Shareholders and the financial community

The Company encourages active dialogue with its private and institutional shareholders, including analysts, at presentations or meetings. Additional information on our shareholders is provided in the Annual Report 2004. Company strategy, performance, management and corporate governance are discussed. The Annual General Meeting is used to communicate with private investors. Participation is encouraged through a question and answer session with members of the Board. The Company's financial public relations consultants have meetings with analysts and provide briefings and independent feedback reports on opinions to the Board. The Company's brokers have meetings with institutional shareholders and provide independent feedback and briefings on opinion.

Government, land owners, the development sector and academia

Our senior personnel engage directly with Government offices, sector research associations and establishments. We provide input and receive feedback on issues such as government housing strategy, non-financial reporting and regulations. On a project basis we communicate with local government planners and regional development agencies.

Local communities, the press, non-governmental organisations and charities

Our project managers and opinion researchers engage with local communities via public meetings and exhibitions on the potential impacts of our development plans. They provide feedback to local planning authorities and into the design process. Some of our sustainable development schemes have been awarded commendations by public sector commissions, environmental trusts and the press (see Performance indicators, S04 & PR6, Section 13).

Employees, consultants, suppliers, contractors and partners

Consultations supported by Forum For the Future and The Natural Step workshop programme have resulted in sustainability action plans drawn up with representatives from our supply chain. Also environmental assessment feedback forms from our suppliers and contractors have been reviewed and appropriate action taken.

4. Stakeholders

Customers

Independent quarterly customer surveys are carried out. These have provided feedback to our Sales, Marketing and Customer Service personnel to ensure that we are meeting the needs and reasonable expectations of our customers in terms of quality, service and building environment.

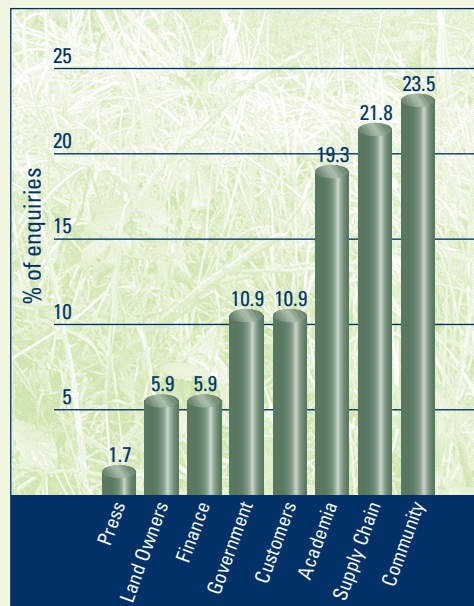
Web site stakeholder opinion and response

Web site analysis of stakeholder opinion is presented to the Committee for Social Responsibility on an annual basis. In 2004 social and environmental issues were arranged in order of significance based on the number of enquiries received. Local community feedback was mainly about building site impacts. Site managers were occasionally alerted to public safety issues as detailed in the analysis table opposite. In response to this the Committee for Social Responsibility recommended more of our build sites register with the Considerate Constructors Scheme in 2005.

Public exhibition and consultation at Aylesbury, Bucks.



The apparent loss of wildlife habitats on some development sites has raised local concerns in the short term. We have resolved these issues by communicating our longer-term environmental programmes to those concerned. Press comment has been received on the positive wildlife initiatives described in the Environmental Stewardship section of this report. Regulators, academia and our supply chain were most interested in the issues addressed by EcoHomes and Corporate Social Responsibility reporting. Our customers focussed on a third group of issues involving building security and maintenance. All of these issues were managed by our Customer Services department and are continually assessed to help plan for future projects.



Website stakeholder engagement 2004

4. Stakeholders

Analysis of stakeholder issues

Stakeholders	Social issues	Environmental issues
Shareholders and the financial community	*CSR reporting Corporate risk assessment Standard of reporting	CSR reporting Corporate risk assessment Standard of reporting
Government, land owners, the development sector and academia	CSR reporting/ accounting Project management Mixed tenure/use developments Employment Community consultation	EcoHomes Energy/climate change Building materials Waste management Water conservation
Local communities, the press, non-governmental organisations and charities	Building site impacts on: - public safety, footpaths and roads - build site security and vandalism - traffic and parking congestion - lack of affordable housing	Building site impacts on: - loss of wildlife and habitat - views of commercial signage - build site security and pollution - waste management
Suppliers, contractors, partners and consultants	CSR Policy and **OFR Labour supply	Energy efficiency/ climate change Building materials impacts Renewable energy
Customers	Consultation Building security Parking allocation	Noise insulation Waste disposal

*Corporate Social Responsibility (CSR)

**Operating and Financial Review (OFR)

5. Human Resources

We aim to provide a working environment that is safe, secure and productive. Our objective is to provide all of our employees with the opportunity to utilise their skills fully and to continue with their professional development. We achieve these objectives through the provision of sound, fair and flexible management policies and practices. Some of the progress from 2004 and some of our objectives are set out below:

- **equal opportunities;**
- **employee development and retention;**
- **training and skills management; and**
- **employee consultation, welfare and benefits.**

Equal opportunities

People are encouraged to progress within our Group based on merit and ability. Opportunities for personal and professional development are available for all. We also support our employees to adopt a suitable work life balance according to their needs. We now provide flexible and part time working for 4% of our workforce, both men and women, an increase from last year's 1%. During 2004 we introduced recruitment skills training incorporating the application of our equal opportunities policy.

Employee development and retention

This year saw the start of the roll out programme for Performance and Development Reviews (PDR). The PDR process enables individuals and their managers to objectively assess performance and to set and achieve clear business and personal objectives, benefiting both employees and the Company. Over recent years we have managed a reduction of staff turnover and we are pleased to report that this has remained stable during the last year at 21%, as indicated in the Social Performance section of this report (LA2 average employee turnover).

We attribute this stability of workforce to the working environment we provide. Net employment creation also remains steady on last year, with a larger proportion of our workforce now working part time or flexible working patterns as recorded in the Social Performance section of this report (LA1 % temporary / part-time employees and LA2 % net employment creation).

Training and skills management

We operate a continuous programme of training needs analysis to identify the skills and knowledge required by our employees. Training is evaluated to ensure learning is transferred to the workplace. In 2004 we began recording all training activities across the Group. Graphical examples of Occupational Health and Safety and Sustainable Development training measurement are provided on the following pages. The skills shortages are widely recognised in the industry and we have continued working with other local employers. For example, in Birmingham, we have worked with the Construction Industry Training Board, Optima Community Association and the South Birmingham College to develop construction skills training courses. We have introduced students to our subcontractors and monitor their progress with vocational qualifications. During 2005 we plan to introduce a structured learning programme for apprentices, student placements and graduates. We are committed to increase the number of formally qualified site agents with NVQ qualifications, with a target of 60% qualified by 2008.

5. Human Resources

Welfare and benefits

We provide an employee assistance programme for all employees and their families to use, providing free, confidential counselling advice at all times. Employee benefits data is provided in the Social Performance Indicator section of this report under LA12. We encourage share ownership and had a further SAYE scheme invitation in the year. We also operate a Share Incentive Plan. Both schemes are open to all employees with more than twelve months continuous employment.

Employee consultation

This year we have continued to develop our Intranet communication and have updated all of the Human Resource policies, which are available for all staff to access. We have also introduced a section providing details on training materials and events. In June 2004 we invited all employees to discuss the future of Crest Nicholson with the Executive Directors who presented the Group's business strategy, sustainable development policy and operating values. The initial outcomes of this strategy are described in the Company Profile section of this report. During the year we have also established a number of employee working parties such as the Business Improvement Committee to identify areas of opportunity, improve procedures and administration and help manage business risk.

In 2003, nineteen of our planners, designers and build managers attended a two-day consultation workshop in partnership with The Natural Step (TNS). In 2004 we continued to raise awareness of our sustainable development policy and consult across all regions and activities with the TNS in Partnership with Forum For the Future.

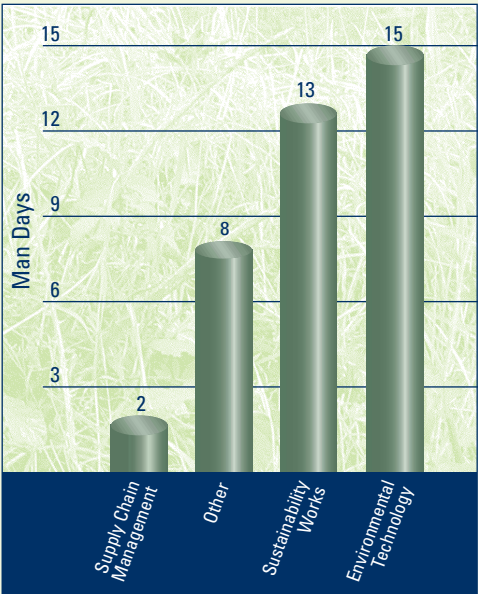


We consulted and produced agreed sustainable development action plans for 31 of our sales, marketing and customer services personnel in 2004.

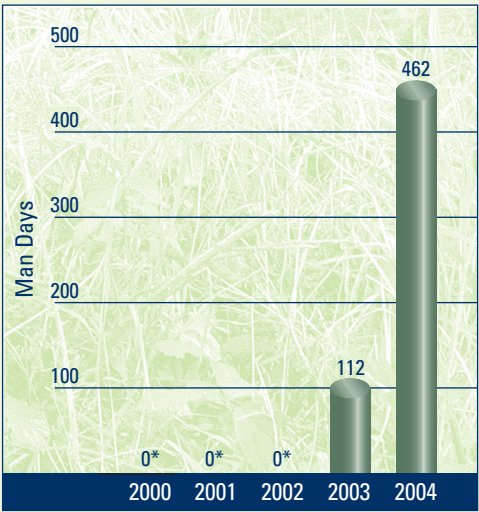


We consulted our project teams at two of our flagship developments, Park Central Birmingham (12 managers and 9 partners) and Harbourside, Bristol (1 manager and 9 supply chain managers) who produced project specific sustainable development action programmes.

5. Human Resources



Environmental training FY2004



Health and safety training

* accurate records are not available before 2003

We also continued the Housing Corporation's 'sustainability works' training programme for 30 of our designers in 2004. Various other sustainable development seminars and workshops were attended by employees that were organised by external bodies.

A significant increase in occupational health and safety training took place as implementation of the more formal management system progressed.

6. Occupational Health and Safety

This year we have reviewed and updated the corporate Health and Safety Policy and introduced the Occupational Health and Safety Management System (OHSMS) that will provide a framework for our policy implementation. The main issues that we prioritised in 2004 have been:

- **structure and responsibility for management;**
- **risk assessment, performance measurement and reporting; and**
- **external engagement and recognition.**

Structure and responsibility

The Main Board has overall responsibility for the policy and delegates responsibility for managing Occupational Health and Safety (OH&S) to the Executive Committee. The Chief Executive is the 'management appointee' for all OH&S matters. The Managing Director of each business unit is the 'management appointee' responsible through the normal management structure for OH&S matters. Advice and support is available from the Group Health and Safety Manager who reports to the Chief Executive.

Management systems

During 2004, the Executive Committee approved the introduction of a management system based on the Occupational Health and Safety Assessment Series 18001 specification (OHSAS 18001). The management team of each business unit is responsible for its implementation and operation. We have also reviewed our OH&S objectives and set new ones that accurately reflect our priorities. The key elements required are as follows: policy, planning, implementation, operation, checking and corrective actions and a management review.

The Group Health and Safety Committee

The Group Health and Safety Committee is a pro-active forum which:

- enables our business units to raise and discuss issues of policy and practice;
- monitors corporate and regional arrangements for management;
- reports on any incident carrying a major risk; and
- initiates proposals to add to or amend the corporate policy and OHSMS.

Membership is made up of a representative from each business unit, the Group Health and Safety Manager, the Company Secretary and the Human Resources Executive. Meetings are held on a quarterly basis.

Risk assessment

The OHSMS requires each business unit to adopt a continual risk assessment approach, ensuring that potential hazards arising from work activities are identified, assessed and managed in proportion to the risks that they present. We are committed to complying with all relevant legislation, other requirements to which we subscribe and improving our performance.



Our Chief Executive signs the 'Safe as Houses' Charter with our Group Health and Safety Manager.

6. Occupational Health and Safety

Performance and reporting

During the year our regions have managed over 55 construction projects, all of which have been subject to our OHSMS and regulatory requirements. Our new reporting system requires each business to report on a monthly basis. This system has resulted in accurate data for measurement of performance. The Group Health and Safety Manager reports progress and the control of risks to the Main Board and Executive Committee. A procedure for identifying and monitoring performance indicators has yet to be established. However, some data is recorded in the Social Performance Section of this report (under LA7). The data displayed within LA7 does not include data from Main or Principal Contractors' activities. In 2005 we intend to establish a 'Balanced Scorecard' of performance indicators (both 'leading' and 'lagging') that will be linked directly to our OHSMS.



Over 300 building workers attended the WWT Road show when it visited Park Central, Birmingham and Portishead Quays Consortium Village Quarter during September 2004.

Occupational health and safety

External engagement and recognition

The House Builders Federation (HBF) campaign 'Safe as Houses' commits to a built environment that is safe by design, safe to construct, safe to live in and safe to maintain.

The Working Well Together (WWT) campaign highlights the biggest dangers on construction sites. It is supported by the construction industry, trade unions and the Health and Safety Executive. Lifeskills the 'Learning for Living' safety education centre Bristol, helps children to learn about safety in and around the home.

We also discussed with the Health and Safety Executive (HSE) proposals for improving construction transport standards. Specific areas reviewed included site layout, traffic management planning, vehicle procurement and training. Six site visits took place and the HSE Construction Inspector commented that our *"traffic management revealed considerable planning and foresight."*



We enrolled our Group Health and Safety Manager as a 'Volunteer Guide' for nine working days to Lifeskills, taking groups of children through different safety scenarios.

7. Investor relations



Following the Company Law Review and draft regulations for a new statutory Operating and Financial Review, we will be required to provide an expanded directors' report in 2006. It will require

companies to explain the stewardship of their business relating to social, community, environmental and employee issues. We provided more detailed disclosures about our corporate social responsibilities in this report to reassure our shareholders that we practice good governance. We understand that our investors are increasingly recognising the importance of our ethical performance because these issues are linked to economic performance. Our non-financial objectives are:

- **to contribute to a decent standard of living by providing affordable and mixed tenure residency;**
- **to encourage wealth creation through the urban regeneration of mixed use and viable developments;**
- **to provide secure and well managed sustainable communities; and**
- **to deliver good community and service provision from high quality built and natural environments.**

Such ethical objectives are mainstream to our business strategy and focuses our resources on:

- the continued growth of our land bank;
- the longer term demand for open market and affordable regeneration;
- differentiating our developments in the market place as sustainable communities; and
- solving the economic problems of house price volatility.

Increasing social housing can provide acceptable financial margins that are supported by better cash flows from housing associations. This translates into lower economic risk and negligible sales and

marketing costs. Such effective strategies help to secure our longer-term future for our shareholders.

In 2004 Crest Nicholson subscribed to the London Stock Exchange 'Corporate Responsibility Exchange' (CRE). This web-based service provides a single channel for integrated financial and non-financial performance survey feedback to a variety of stakeholders that include:

- the Ethical Investment Research and Information Service for FTSE4Good membership;
- the Business in the Community corporate responsibility and environmental indices; and
- the Global Reporting Initiative.

Ethical investors use the FTSE4 Good to identify and invest in companies that exhibit and benefit from both good economic and corporate responsibility practices. In 2004 we maintained our membership of the FTSE4 Good Index series by improving our performance in stakeholder consultation and communications with our employees on equal opportunities and health and safety.

In 2004, Insight Investment, the asset manager of the HBOS Group, reported that we had "provided significantly more comprehensive and verified information with performance targets in accordance with the Global Reporting Initiative". In line with their WWF partnership 'One Million Sustainable Homes' campaign, Insight Investment recommended more commitment to EcoHomes energy efficiency, build site health and safety, water conservation and waste management. We have responded to these recommendations as recorded in the Environmental Stewardship section of this report.

We also engaged in several research initiatives with the Construction Industry Research and Information Association, The Morley Fund, Igloo Investments, ISIS Asset Management and Just Pensions, the details of which are summarised in the 'Voluntary Initiatives' tables in the Economic Performance Indicators section of this report.

8. Community stewardship

The creation of communities is at the heart of the Group's Sustainable Development policy. We are working in partnership with a number of councils to revitalise town centres through the regeneration of ailing retail cores and the creation of new residential quarters. Creating employment and raising skills goes beyond creating short-term jobs in construction. Our developments also provide opportunities for better jobs, better education and good health.

The Group's community strategy can be summarised as:

- **creating long term stewardship and management of communities;**
- **partnering and engaging in full community consultation processes; and**
- **commitment to the Government's sustainable communities agenda.**

Partnerships for regenerating viable communities

Partnerships can deliver more socially secure neighbourhoods with a better environment and quality of life. Significant social and environmental provisions, funding and donations to communities are agreed with local authorities in addition to core development costs.

Examples of community development donations are provided in the Economic Performance Indicator section of this report (see key indicator EC10) and are set out below.

Park Central, Birmingham

1,640 homes and 18,398 sq.m of offices, hotel, retail and leisure uses

In partnership with Birmingham City Council and Optima Community Association we are regenerating 25 ha of the former Lee Bank estate and 3 ha of neglected parkland. £33 million is being invested in a new social and physical infrastructure. We are creating a vibrant community space in the West Park comprising grass terraces interspersed with planting and a central piazza with amphitheatre for local events. The East Park has been specifically designed for children of different age groups and will be a safe and inclusive environment with play area and

multi-use games. It will also include open parkland, a wildflower meadow and natural wildlife habitats. This urban park will be at the heart of the city's newest development of mixed tenure houses and apartments. We are setting new benchmarks in the delivery of integrated tenures and pre-funding socially essential works and training. Park Central is in the first phase of a ten year development programme that may create up to 1,500 jobs.

Harbourside, Bristol

680 homes and 55,000 sq.m of commercial uses (leisure and retail)

This £345m regeneration project reinforces our reputation as a leading mixed-use developer. It will reinvigorate the city centre by bringing this derelict contaminated site into active use, with up to 2 ha set aside for open space, leisure and retail facilities. The project includes 13,500 sq.m of retail and leisure space and 35,900 sq.m of offices use.

Oakgrove Millennium Community, Milton Keynes

2,000 homes, 2 schools, a health clinic and a commercial centre.

Crest Nicholson has been appointed lead developer and master planner of a £500 million development of the Oakgrove Millennium Community by project partners English Partnerships, Milton Keynes Council and the South East England Development Agency. This development will be a pioneering example of private and public sector partners working together to build a sustainable community for generations to come. The 64 ha development was previously used for sand and gravel extraction and most recently as a landfill. It is a large scale residential and mixed use development that is programmed to start in 2006. A landscaped wildlife corridor is also planned.

In 2004 we entered some of our projects into competitions for best partnership developments, design/building quality and renovation. Our awards are tabulated in the Society Performance Indicator section of this report under key indicators PR6, social and environmental responsibility.



Repton Park, Chigwell, Essex , before preservation and refurbishment of buildings that made a positive contribution to building a new community.

8. Community stewardship



Park Central, Birmingham - Best Partnership development (bronze award)
Crest Nicholson's agreed contributions include: social housing subsidies, two new parks, new community hall, new pedestrian and cycle bridge linking communities and public art.



The Harbourside, Bristol - Crest Nicholson's agreed donations include: waterside pavilion and community hall, public open space, affordable housing subsidies, public art and landscaping outside of the development area. (A computer generated illustration).



Bolnore Village, Haywards Heath, West Sussex - Crest Nicholson's agreed donations include sites for a 4.8 ha recreation area, primary school, doctors surgery, community building and shops. Funding for 7 retail units, library extension, 24 equipment play areas, bus subsidy, relief road and bridge.



Repton Park, Chigwell, Essex - This development gained a silver rating in the National Green Apple Civic Pride Awards in recognition of the 'efforts of private and public bodies that enrich our national heritage.

8. Community stewardship



Bournville Park, Birmingham - hosted a site tour for 30 local school children to look at a range of professions, building materials and machinery in the work environment. The Site Manager commented "they got very excited when they were shown how a wall is built".



Minchinhampton, Gloucester - Best Development Silver Award comprising 29 homes, "a little gem" - detailing of the dwellings sits very comfortably in the village context.



Ingress Park, Greenhithe, Kent - Best brownfield development award - 950 homes with planned school, shop units, parks and a community centre.



Port Marine, Portishead, Bristol - Best Exterior design Gold award for The Fishing Village. Crest Nicholson donated £250,000 as part of the planning agreement to refurbish The Harbour Road Club as a new youth centre.



Ingress Park, Greenhithe, Kent. Crest Nicholson's agreed donations include: 3 equipped children's play areas, boat house facilities, public transport link area, local bus service subsidy, pedestrian and cycle routes, theme pub /restaurant, 8 live work units of 743 sq.m, school and playing fields.

8. Community stewardship

Affordable homes

House sales increased by 30.4% and the graphs opposite show that our social housing provision also increased by 131% in 2004, while our average house price was reduced by 12.2%.

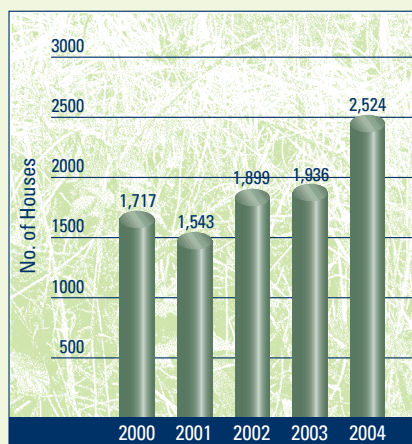
The number of open market new homes in the 'less than £250,000' range has increased over the past three years, while those above this range have decreased.

The 2004 social housing target of 600 homes was exceeded. Our affordable housing turnover aims to provide about 550 affordable homes in 2005 that will rise to about 1000 by 2007.

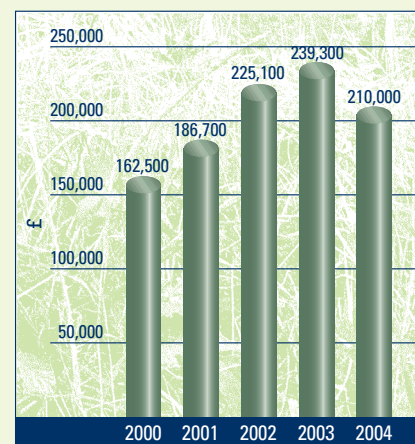
Voluntary initiatives and donations

We engage in voluntary initiatives with donations of time in kind and subscriptions to charities that can provide guidance to our business as detailed in the Economic Performance Indicator section of this report under the key indicator EC10. Shelter, the housing and homeless charity, tackles the root causes of bad housing by campaigning for new laws, policies and solutions. They have been our chosen charity partner since 2002.

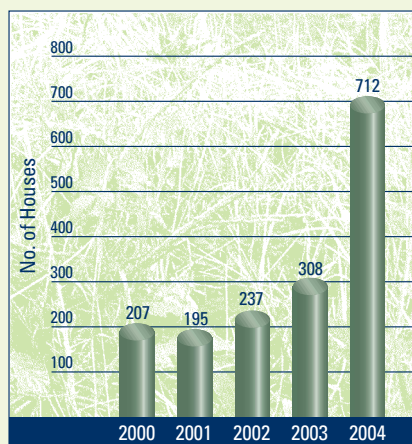
Homelessness and poor housing is the most acute indicator of the shortage of decent, affordable housing. Some of our employee fundraising helps pay the annual salary of a caseworker at Shelter's free national help line. To-date, over £60,000 has been raised for a cause that is both very close to our hearts and our business. Other employee donations exceeded the annual target of £50,000, amounting to £64,800.



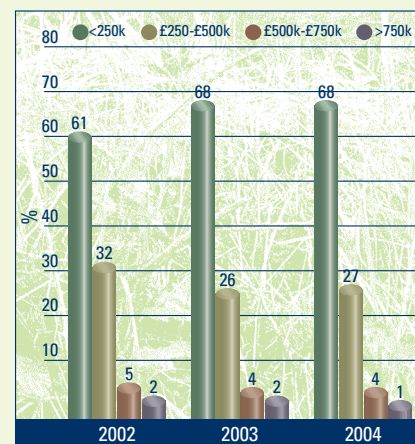
Total house production



Average house price



Housing association production



Portfolio - sales price analysis

9. Environmental stewardship

Our Sustainable Development policy addresses the careful planning of the built environment, viable communities and the design of environmentally efficient homes. Many years of building sector research has identified the following impacts and opportunities:

- **climate change, energy conservation and renewable energy;**
- **reduction of pollution created by the procurement of building materials;**
- **sustainable resource use in building material, waste management and water conservation;**
- **prioritising brownfield development, protecting the environment and enhancing biodiversity; and**
- **meeting customer needs in terms of health, safety and well being.**

Within the residential development sector the Building Research Establishment's EcoHomes is a key assessment procedure for the environmental quality beyond building regulations. It provides a rating system for residential design expressed on a scale from 'Pass' (minor design improvements above standard building regulations) to 'Excellent' (exemplary environmental performance in all areas). In 2004, we increased the number of homes to be independently certified as recorded in the table below.

We achieved our EcoHomes target of a 'Good' rating demonstrating good practice especially in the areas of pollution, energy, transport and materials selection as indicated in the EcoHomes graph below.

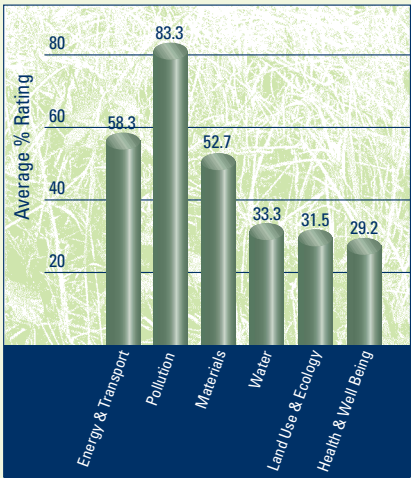
Annual EcoHome Assessments

Year	Number of home designs	Number of homes certified	Number of homes sold	Average rating
2003	28	0*	1936	-
2004	43	208	2524	Good (50.35)**

*700 Independent predictive design assessments were completed in 2003 and these will progress to detailed design stage certification in future years.

** Good rating range is from 48-59 points

Houses mainly consist of brick and block construction and PVC double glazed windows although partnership housing is increasing the trend back towards the use of timber frame windows. Most of our developments comprise 2-4 bedroom houses with increasing numbers of apartments on urban regeneration sites as recorded by the Land Bank and 'Brownfield' Development graphs over page.



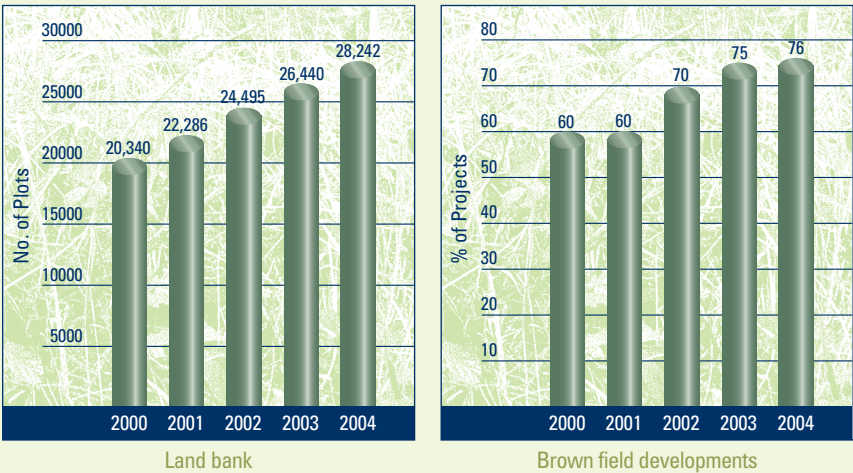
Ecohomes criteria - average ratings



Ingress Park, Greenhithe, Kent. Crest Nicholson's agreed donations include woodland landscaping, environmental remediation, restoration of the Abbey, the Coach House, the park wall and garden.

9. Environmental stewardship

Our environmental performance is summarised using the following EcoHomes criteria and data recorded in the table below and the Environmental Performance Indicator Section of this report (Indicators EN9, 10,18,19,26,27,28,30):



EcoHomes objective and targets (2005)

EcoHome minimum credits awarded for:	Crest Nicholson performance		
	2003 range	2004 range	2005 targets
emissions of 60kgCO2/sq.m/yr or less	<45-30	33-25	25
emissions of 150 kg NOx/kWh or less	100-70	<70	<70
consumption of 50 cu.m/bed space water use or less	>50	48.2-41.3	40

Energy

The Standard Assessment Procedure (SAP) rating is the standard method for energy efficiency ratings for new homes. The SAP scale currently runs from 1 (extremely poor) to 120 (extremely good). A summary of our average SAP ratings is provided in the Environmental Performance Indicator section of this report under key indicator EN17, 'initiatives to increase energy efficiency'. The Group average SAP rating exceeded last year's target of 97 and represents a 5% improvement over home energy efficiency in 2003. Higher SAP ratings were achieved due to the specification of more high energy efficient condensing boilers. We aim to achieve 100% condensing boiler specification by 2005. The building envelope insulation performance of our residential unit designs were between 8% and 14 % above standard building regulations for homes that were rated as 'Good'. An improvement of 28% was obtained for a development that was certified as 'Very Good'. In these developments all lighting was energy efficient and all white goods were 'A' rated. EcoHomes targets for 2005 are tabulated above.

Carbon dioxide emissions and carbon index

Our carbon dioxide emissions for 2004 were estimated to be in the range 30.79-33.19kgCO2/sq.m for 'Good' EcoHome ratings. This was due to the majority of our homes being gas heated as carbon dioxide emissions are lower for gas compared to coal, oil and electricity energy supplies. This figure was as low as 25kgCO2/sq.m for developments that achieved a 'Very Good' rating. A Carbon Index (CI) rating is based on the total annual CO2 emissions associated with space and water heating per square metre floor area. It is expressed as a number between 0 and 10. To comply with the Building Regulations the dwelling must achieve a CI of at least 8. The Group achieved a whole figure average CI of 8. These figures are documented in the Environmental Performance Indicator section of this report under EN30 'indirect greenhouse gas emissions'.

9. Environmental stewardship

Transport

Our main developments have plans to reduce local car use, some by up to 15%. Travel plans such as those at Poole Quarter, Dorset, provide for a frequent, accessible and affordable bus service direct to the town centre with a voucher and a discount scheme for new home owners. Alternative transport services such as cycle routes, public footpaths and local amenities will also be provided. Typical local amenity provision (within 500-1000m) may include shops, schools, medical centres, leisure centres and children's play areas. Some of these amenities and transport provisions are also funded by Crest Nicholson on other development sites as documented in the Community Stewardship section of this report (see EC10 'donations to community and civil society'). Other initiatives to reduce transport congestion have included the provision of home office services. 'Very Good' ratings have been achieved through the additional provision of home cycle storage space.

Pollution

To minimise pollution from building insulation, zero ozone-depleting products are specified in roof space, walls, floor space and pipe voids. To reduce nitrous oxide emissions, class 5 low emission boilers are specified as they emit less than 70mgNO_x/kWh. To reduce potential flooding and related pollution from hard surfaces rain water run-off, underground storage tanks are specified to attenuate flow rates. 'Very Good' EcoHome ratings have been achieved where separate storm water channels direct roof run-off to permeable channels (swales). Run-off rates have been reduced by up to 50%.

Materials

The Building Research establishment's 'Green Guide to Housing Specification' is used to rate building materials from 'A' (good) to 'C' (poor). Typical material scores have resulted in 'A'-ratings for our

roofing, walls, floors and fencing. Where proof of Forestry Stewardship Council and other certification can be verified then 'Very Good' EcoHome ratings can be achieved. Higher ratings have also been achieved for the specification of pre-treated softwood frame double glazed windows. Specifications for turf landscaping and low maintenance planting have also raised overall ratings. Where a local authority provides a waste collection system for recycled materials our provision for internal storage of recycled waste has resulted in maximum points being awarded for domestic waste management.

Water

85% of our open market housing and 15% of our affordable housing have switched to efficient water saving taps and showers in 2004. Our water appliance specifications include medium size baths and dual flush 6/4 litres flush WC cisterns. These appliances result in estimated water use ranging from 42.52 to 48.20 cu.m/bed-space/year. Standard shower regulators or Eco-spray heads save from 15% up to 50% on household water flow. A 'Very Good' EcoHomes rating is achieved when we can reduce water use to 41.3 cu.m/bed-space/year. Water use is also being reduced by the provision of 150 litre external rain water butts connected to roof down-pipes for garden irrigation purposes.

Landscape and ecology

We strive to meet EcoHomes objectives by building on brownfield land, protecting the environment and making effective use of building footprints. By commissioning ecological survey reports some improvements can be made to edge of town agricultural land where the number of species can be increased by initiatives to protect woodlands, improve marshland and creating public open spaces. In 2004, 76% of our developments were on brownfield sites.

9. Environmental stewardship

Health and well being

Our aim is to meet or exceed daylight provision assessment criteria in homes, especially in kitchens, where they should achieve a reasonable daylight factor with a sky view. Sound insulation measurement requires on site testing and a commitment to meet the minimum standard of two tests per 10 dwellings. We aim to provide outside space with either gardens, balconies or roof space for apartments where possible.

Objectives and targets

Some of our long-term regeneration project ratings have the potential to rise from 'Good' to 'Very Good' when the overall development amenities are completed in later phases. To raise our standard from the EcoHomes 'Good' rating we will aim to achieve our objectives and targets by the following actions:

- **improve timber supplier verification recording system;**
- **consider increasing the use of more timber frame windows;**
- **increase the provision of low energy lamps and cycle storage;**
- **consider more sustainable urban drainage initiatives;**
- **reduce WC cistern volumes to 4 litres; and**
- **consider commitment to sound testing of party walls.**

Environmental compliance

All regions report build site environmental incidents relating to noise, vibration, pollution, historical contamination and wildlife/heritage disturbance to the Company Secretary. The Group monitors environmental notices and prosecutions as a measure of the effectiveness of management over environmental risks.

In 2004 Crest Nicholson continued to consult with the Environmental Agency regarding a former build site ground contamination. Towards the end of 2003 we were fined by Bromley Borough Council for a non-compliance with a tree protection order on one of our sites in the South East. Our environmental compliance record to date has been adjusted as shown below. Three minor incidents were reported regarding a diesel spill, damage to build site materials and waste disposal. These incidents were mitigated and did not result in notices or prosecutions.

In 2004 Crest Nicholson contributed time in kind to the development of a web based environmental best practice guide for the development sector in partnership with the Environment Agency and the Construction Industry Research and Information Association. The web site 'Compliance +' is linked to the 'Build' section of our Company intranet Sustainable Development zone providing access for all of our Build Managers.

Environmental Compliance	Measure	2000	2001	2002	2003	2004
Prosecutions	Number	0	0	0	1	0
Notices	Number	0	0	0	1	0

9. Environmental stewardship

Examples of environmental stewardship are set out below:

Repton Park, Chigwell, Essex

733 homes and 2,323 sq.m of leisure and commercial uses were developed.

The derelict sanatorium including 95ha of ancient woodland and 39ha of open parkland was developed re-creating the legacy of Humphrey Repton, the landscape designer. The development revealed landscapes hidden from the general public since 1789. The community also gained a restored cricket pitch and pavilion. London style squares were created with densely planted landscapes. Beds of lavender and roses were set around box hedges and manicured lawns. We also enhanced the built environment of the streetscape outside of the site.



Repton Park near Chigwell, Essex - Funds in excess of £1 million were set aside to include an extensive replanting programme for tree lined boulevards and border planting through communal areas.



Bolnore Village, Haywards Heath, West Sussex - Crest Nicholson's agreed donations include: 15.8 ha of community woodland, pond improvements and new ponds all supervised by an ecological clerk of works.

Bolnore Village, Haywards Heath, West Sussex

920 homes and 929 sq.m of retail

This edge of town development has presented a challenge to balance the demand for housing with the conservation of wildlife and their habitats. A series of marl ponds (old areas of clay extraction) have been retained for great crested newts. A "newt tunnel", under a relief road allows the species to migrate to habitats beyond the site. Woodlands adjacent to the housing development are managed to provide habitat and corridors for dormice, linking woodlands to the east and west. A dormouse rope bridge has been built across the adjacent relief road. Affordable homes have been planned and woodland/wildlife areas are open to residents for quiet recreation. Nature and human habitation are compatible on this site. As of 2004, about one-third of all potential conservation work has been completed.

9. Environmental stewardship



Ingress Park, Greenhithe, Kent -

Tony Blair and John Prescott launching the Government's Sustainable Communities Plan from Ingress Park.

Crest Nicholson were awarded a commendation for best use of a brownfield site. Twentynine hectares of dereliction and decontamination were regenerated.

Ingress Park, Greenhithe, Kent

1,150 homes and 1,858 sq.m of retail and other commercial uses.

This 29ha flagship development was chosen by Tony Blair and John Prescott as the site to visit for an update on the Government's Community Plan. Residential units range from one-bedroom apartments to three-bedroom houses. The transport plan encourages cycling and walking in preference to the use of the car. This previously derelict paper mill site has been transformed through a £200m flagship regeneration. Its award winning urban design creates eight distinct character areas within which the new dwellings will be delivered. The centrepiece includes the restoration of the former Ingress Abbey within a parkland setting.



Ingress Park, Greenhithe, Kent - Crest Nicholson's agreed donations include: a waterfront park.



Port Marine, Portishead, Bristol - In the Ashland's area, pulverised fuel ash from the former power station was covered with top soil to enable the wildlife and habitat to recover to its natural state- 60 hectares of nature reserve, coastal walks, landscaped footpaths and cycle ways connecting different residential areas with tree lined avenues and squares.

9. Environmental stewardship

Port Marine, Portishead

1,333 homes, 9,290 sq.m of commercial and leisure uses and a 600 berth marina

This development is a regeneration of the old industrial quarter. In conjunction with Persimmon we are developing one of the largest private sector regeneration sites in the UK. The development has a combined capital value of over £600m. Over fifteen years it will deliver 4,000 dwellings, two primary schools and health, leisure and community facilities. Public works of art provide tangible connections with the past and the surrounding environment. The site was designed to encourage a 15% shift away from car use.



Port Marine, Portishead, Bristol -

Crest Nicholson transformed 53 acres of disused power station and docks into a waterside development part of which invokes a West Country fishing village character

Poole Quarter, Dorset

512 homes adjacent to local amenities

Working with local businesses, transport operators and the Borough of Poole, Crest Nicholson has developed an innovative and fully integrated travel plan to reduce car use and associated polluting emissions. As with other developments we make significant contributions to local highway improvements to ease traffic flow and to protect pedestrians and cyclists. Our plans include a Route One Bus service and an initial voucher scheme for bus, rail and car club travel. The development is designed for easy access to the town centre, local shops, parks and services on foot and by cycle. Visitors can use the public cycle stands located throughout the community. A parking management scheme will be in operation and the car club allows residents to hire fuel-efficient cars as and when required at an affordable cost. Residents can save on car ownership and running costs. A lift-sharing scheme will halve the cost of getting to work, save money on parking and help protect the environment. The Poole Quarter web site will provide comprehensive travel information.



Poole Quarter, Dorset -

Part of the development was a former gas works site that was remediated to residential end use standards.

9. Environmental stewardship

Office buildings

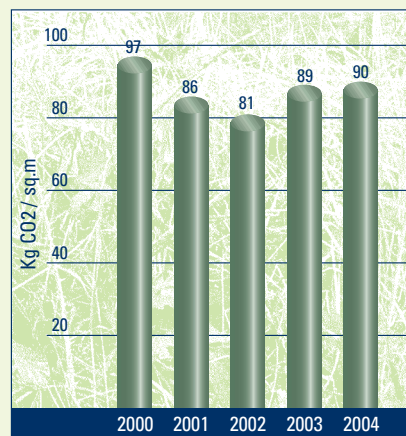
The Group Sustainable Development policy commits to run cost-effective and efficient offices that have the least detrimental impact on the environment. Within the Environmental Performance section of this report we have measured direct office energy (EN3) and estimated water use (EN5). We also measured our office waste (EN11), greenhouse gas emissions (EN8) and discharges to water (EN12). In 2004 we aimed to meet national good office building benchmark targets provided by the Department of Trade and Industry Environmental Technology Best Practice Programme.



Crest Nicholson employees join the "Strip for Shelter Campaign".

Energy

In 2004 energy related carbon dioxide emissions from our offices stabilised at 90 kgCO₂/sq.m but still exceeded the typical office benchmark and group target of 69kg CO₂/sq.m. Our office portfolio includes a mix of old and new offices under different leases. We monitored electricity and gas meter readings and identified a greater use of gas for space heating. We invited the Carbon Trust to conduct an audit on our oldest offices that were identified as the most inefficient. As these offices are approaching the end of their leases we plan to move into more energy efficient buildings in 2006. We also commissioned Action Energy to assess the energy saving opportunities at one of our build sites. The conclusions were positive as the site was assessed as low energy intensive compared to manufacturing processes. However, a proposal was put forward to the newly formed Business Improvement Committee to review and rationalise our energy suppliers in the context of increasing energy prices and opportunities for single supplier discounts.



Office energy emissions

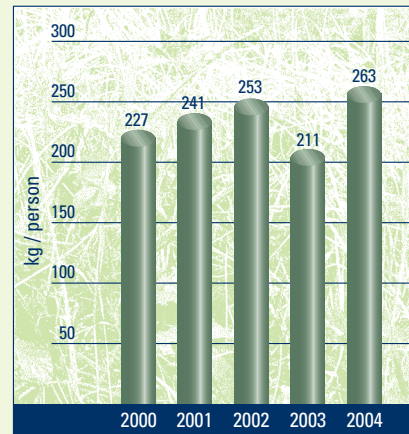
9. Environmental stewardship

Waste

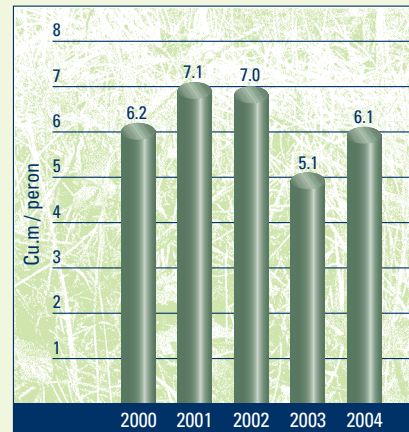
Our office waste target for 2004 was the good practice benchmark of 200kg of waste per person. In 2004 there was a 22% increase in office waste to 232 metric tonnes or 263Kg waste per person. This was due to increased waste streams from office re-organisation at Weybridge. Waste recycling was limited by storage capacity and was slightly reduced by 1.7% compared to 2003. In 2005 we aim to reduce office waste at source and increase our recycling capacity. The Committee for Business Improvement aimed at paper use reduction and the rationalisation of telecommunication costs. We have started to reduce waste paper at source by switching all of our telecom bills to electronic format, saving approximately 75,000 pieces of paper each year. In line with the Waste Electronic and Electrical Equipment Directive we have established a take-back scheme with our IT hardware supplier to dispose of our redundant computer equipment. This has been very successful and in the last year we have recycled approximately 150 pieces. We continue to recycle fluorescent light bulbs, batteries, toner cartridges and mobile phones.

Water

Our office water usage target for 2004 was to maintain consumption below the good practice benchmark of 7.7 cu.m per person per year. We are pleased to report that our total usage was 6.1cu.m per person. The slight increase on last year was due to the re-organisation of our South West region where site staff were moved into the regional office, almost doubling its capacity.



Office waste



Office water usage

10. Contractors and suppliers

Crest Nicholson's Sustainable Development policy commits to 'develop long term, non-adversarial partnerships with our contractors and suppliers'. Developing mutual policy objectives with other companies will drive improvements through our supply chain, improving building quality and workplace conditions. This will improve our performance and differentiate our operations in the marketplace. Our significant contractor and supplier issues for improvement are:

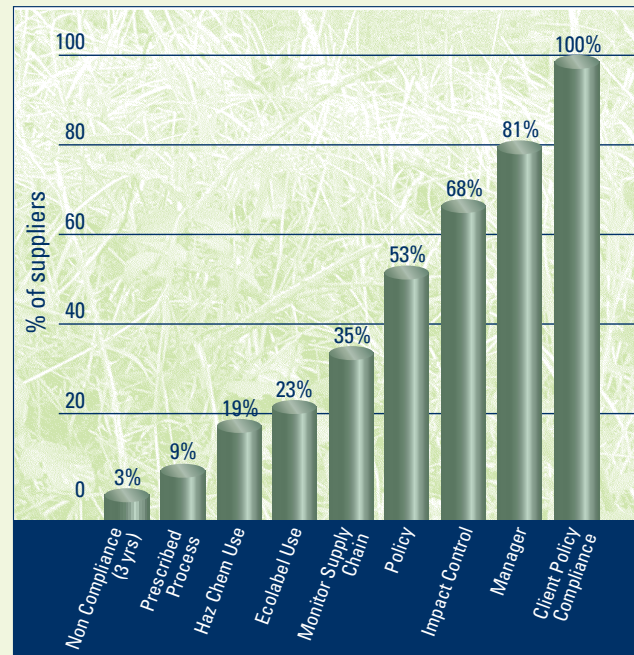
- **Regional resource impacts;**
- **Contractor/supplier partnerships and assessment; and**
- **Waste management.**

Regional resource impacts

In 2003 Crest Nicholson's contractor and supplier resource use was assessed to identify our significant regional economic, social and environmental impacts. The cost of goods, materials and services, a direct monetary flow indicator (EC3), showed that the Group spent resources in line with regional housing and community development demand (EC11) as recorded in the Economic Performance Indicator section of the Social and Environmental Report 2003. The areas that benefited most were the regeneration areas of the South West, the Midlands and the South East. In the London region we have reduced our supply chain transport and paperwork impacts by using a single source multiple product supplier who has contributed to lessening traffic congestion and the associated noise, vibration and emissions to the communities surrounding our developments. This successful procurement initiative will be recommended to town centre developments in other regions to reduce transport impacts.

Contractor/supplier partnerships and assessment

Our objective is to form partnerships for sharing the economic benefits of improved environmental and social practice and innovation. Environmental selection procedures were added in 2004 and an assessment of contractors' responses was carried out. A sample of over 100 questionnaires on policy, responsibility, compliance, waste management, product selection and emergency preparedness were analysed.



Supply chain environmental assessment 2004

10. Contractors and suppliers

The results of our survey are displayed in the graph opposite and the main findings are as follows:

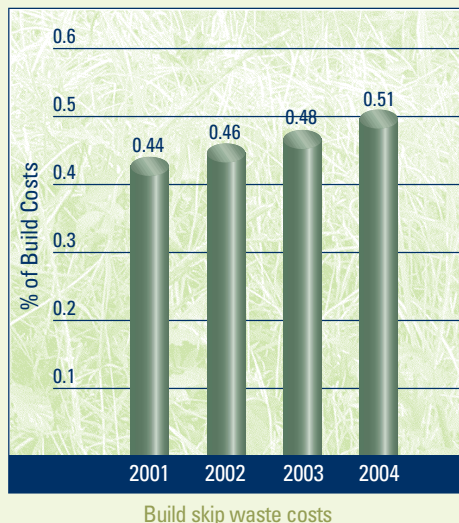
- 81% of companies had a manager assigned with environmental responsibilities;
- 68% of companies had implemented relevant environmental impact controls;
- Over 50% of companies provided their environmental policy; and
- 3% had been found non-compliant with an environmental regulation within the past 3 years.

All the contractors and suppliers surveyed agreed to work with us in line with our Sustainable Development policy and many smaller companies were motivated to produce their first environmental policy. We were able to identify a whole spectrum of partnership risks and opportunities. Specific feedback on the survey will be provided to regional Directors with recommendations for continued improvement in 2005. Further analysis of our supply chain workers rights will be integrated into this assessment form in 2005.

Waste management

Our contractors are responsible for construction site clearance, demolition and ground-works waste management. A Landfill Directive brief was communicated to all Managing Directors on the implications of waste disposal facility reduction and landfill cost increases.

Towards the end of 2004 we carried out an environmental survey of our contractors. 53% had an environmental policy that included good waste management practices. Together with one of our contractors we contributed an aggregates recycling case study from our Bristol Harbourside development to the Waste and Resources Action Programme (WRAP) as an example of one of our joint waste recycling initiatives. We also provide skips to our main contractors for general build waste recycling or landfill disposal. In 2004 our waste costs as a percentage of build costs were marginally higher at just over 0.5%. Skip prices rose from £115 to £155 in 2004, an increase of 35%. Our estimated number of skips used reduced from 11,033 to 10,883, a reduction of about 1.6% against an increase in production of 30%. In 2005 we will promote more initiatives to reduce build site waste.



11. Customer relations

Crest Nicholson's Sustainable Development policy commits to 'higher levels of customer satisfaction by constructing well built sustainable homes'. Our 'Customer Promise' and home guide "Building Relationships" provide documented public objectives. Independent customer satisfaction surveys and service awards help us to benchmark our performance across the key areas of:

- **build quality;**
- **high standards of sales, marketing and customer service; and**
- **high levels of customer health, safety and satisfaction.**

The Customer Promise sets out our obligations to the customer and in summary commits to:

- a professional service throughout the house buying process;
- the opportunity to view the build progress;
- personalise the new home (subject to stage of construction);
- final verification of stringent quality standards by our Build Department;
- a comprehensive demonstration of fixtures, systems and appliances; and
- a comprehensive warranty for the first two years including 24-hour emergency cover.

The Customer Services Guide documents the Home Care programme that includes:

- a six-month property inspection upon request;
- a two year emergency service covering defects in the home;
- an NHBC Build mark information pack and protection policy guarantee for 10 years; and
- a house maintenance section with advice on garden planning, saving water and waste recycling.

All regions have a Head of Customer Service Manager who is responsible for customer liaison. In 1998 we introduced a 24-hour help line provided by National Property Solutions, for emergency cover. This cover is available to each customer for two years after legal completion. Improving performance can be attributed to our customer care programme that monitors customer satisfaction at all buying stages through to moving into the home. We encourage customers to inspect their new homes at key stages of the building process. In addition, the Site and Building Managers sign off a 500-point checklist prior to legal completion.

Our Customer Care programmes have been recognised by building sector awards for 'Quality Service' (2001-2004) and 'Customer Strategy' (2001 and 2003). A creative marketing award was also won in 2003 (see Performance section of this report - Awards Table, Society S04 & Social PR6 Social, ethical, environmental awards indicators). In 2003 focus meetings were held with our customers. This process allowed us to review our customer satisfaction questionnaire. To measure our progress in achieving policy objectives these quarterly customer satisfaction questionnaires provide feedback on:

- design, sound proofing, build standard and quality;
- neighbourhood location, communal environment, development layout, parking and internal spaces; and
- customer service communication, staff commitment and value for money.

11. Customer relations

Past performance in these areas is recorded in the Society Performance Indicator section of this report. The customer satisfaction target set by the Group was a 75% average across the three disciplines of Sales, Build and Customer Service. In 2004 Customer Services scored 75% for customer satisfaction to date and the overall score is expected on completion of the survey early in 2005. A new homeowner's reservation package is being produced by Group Marketing to include all aspects of customer care from reservation to legal completion. This is an improvement over our current customer information documentation and will be available in 2005.

The National Customer Satisfaction Survey for new homes is the key consumer satisfaction benchmark for house builders as it is commissioned independently by the Housing Forum. In 2003 we maintained our maximum overall three star rating achieved in the previous years. The 2003 survey was based on telephone interviews with 10,000 customers covering the top 37 house builders. Crest Nicholson was one of six companies that scored a maximum three stars out of three for all six categories that covered the quality of the home and the service provided. Survey results gave Crest an above industry average rating in the areas of:

- Quality of home (value for money, construction, finish and overall satisfaction); and
- Service (condition on moving-in day, likelihood of recommending and overall satisfaction).

Advertising standards

The Advertising Standards Authority (ASA) administers the rules by which the marketing industry regulates the content of non-broadcast marketing communications. They investigate complaints that advertisements have broken the British Code of Advertising, Sales Promotion and Direct Marketing, prepared by the Committee of Advertising Practice (CAP). Once again, there have been no prosecutions within the Group relating to sales and marketing material within the reporting period. Our marketing department is committed to full compliance to the spirit and letter of the code.

Consumer privacy

We committed to safeguarding the privacy of the users who visit our websites. In summary, we state the customers' rights and that we will only use their information to respond to requests for brochures, enquiries or to communicate information about developments that may be of interest to them.



12. Global Reporting Initiative (GRI) content index

GRI section number and heading	Report page
1.0 Vision and Strategy	page 2
1.1 Statement - issues, stakeholder impact, values and objectives	pages 2 to 5
1.2 CEO statement - highlights, commitment, targets and engagement	pages 2 to 5
2 Profile	page 6 to 7
2.1 Name of reporting organisation	Front Cover
2.2 Products, services and outsourcing	pages 6 to 7
2.3 Operational structure and the organisation	pages 8 to 10
2.4 Major divisions, subsidiaries and joint ventures	page 6
2.5 Countries of operation	page 6 to 7
2.6 Nature of ownership and legal form	Front cover
2.7 Nature of markets served	page 2
2.8 Scale: employees, products and net sales	page 6 to 7
Equity, value added, total assets, total revenues, etc	page 42
2.9 List of stakeholders, attributes and relationships	pages 12 to 13
Report scope	Page 1
2.10 Contact person(s) email and web address	Back cover
2.11 Financial / calendar reporting year	Page 1
2.12 Date of most recent previous report	Page 1
2.13 Boundaries of the report	Page 1
2.14 Significant changes in size, structure, ownership, products / services	pages 6 to 7
2.15 Basis for reporting on joint ventures, or subsidiaries	pages 1 and 6
2.16 Effect of any re-statements of information provided in earlier reports	Page 1
Report Profile	Page 1
2.17 Areas where GRI is not applied and reasons	Page 1
2.18 Criteria used in accounting for sustainable costs and benefits	Page 1
2.19 Significant changes from previous years in measurement methods	Page 1
2.20 Policies to provide assurance on accuracy, completeness, reliability	Page 1
2.21 Policy on providing independent assurance for the full report	Page 1
2.22 Report users accessibility to additional information and reports	Back cover

12. Global Reporting Initiative (GRI) content index

GRI section number and heading	Report page
3 Governance Structure and Management Systems	pages 8 to 10
Structure and Governance	pages 8 to 10
3.1 Major committees under the board of directors and responsibilities	page 8
3.2 Determination of independence and percentage of non-executive members	page 8
3.3 Determining board expertise for strategy and sustainability	page 8
3.4 Board level processes for identification of sustainability risk and opportunities	pages 8 to 10
3.5 Executive compensation and achievement in non-financial goals	pages 8 to 10
3.6 Organisational structure and key economic, social and environmental roles	pages 8 to 10
3.7 Internal economic, social and environmental policies and implementation status	pages 8 to 10
3.8 Board of directors and shareholder mechanism for engagement	pages 11 to 13
Stakeholder Engagement	page 11
3.9 Identification of major stakeholders and selection for engagement	pages 11 to 13
3.10 Approaches to stakeholder consultation, type, frequency and group	pages 11 to 13
3.11 Stakeholder consultation key issues	pages 11 to 13
3.12 Use of stakeholder information and relation to performance indicators	pages 11 to 13
Broader Policies and Management Systems	pages 9 to 10
3.13 Precautionary principle application and risk control	Inside front cover
3.14 Voluntary charters, principles, initiatives and subscriptions	pages 43 to 47
3.15 Membership of business sector and international organisations	pages 46 to 47
3.16 Supply chain management policies and service stewardship	pages 36 to 39
3.17 Managing indirect sustainability impacts from activities	pages 14 to 35
3.18 Office location expansion or closures	pages 6 and 34
3.19 Procedures for sustainability targets, programmes, training, audit etc.	pages 8 to 10
3.20 Certification of management systems	None
5 Performance Indicators	pages 42 to 56

13. Performance indicators

Economic indicators

Direct Monetary Flow Impacts				
Customers				
	2001	2002	2003	2004
EC1 Net sales of Homes including JV's (£m)	288.1	427.6	463.3	529.9
Housing Association including JV turnover (£m)	21.4	28.4	43.1	87.7
Housing Association turnover % total turnover	3.7	4.1	7.5	13.6
Land Sales (£m)	54.8	40.2	74.0	44.7
Commercial turnover (£m)	50.0	47.7	13.2	68.6
Joint venture turnover (£m)	8.5	10.4	12.0	12.0
EC2 National market share	< 25% of market share and <5% of Gross Domestic Product			
Suppliers				
EC3 Goods, materials and services £ 000	187,784	236,478	262,640	290,765
EC4 Agreed term contracts (%)	Progressive implementation from 2004 - new accounting system			
Employees				
EC5 Total payroll and benefits (£ m)	49.3	54.9	40.6	41.7
EC6 Distributions: providers (£ m) Interest	10.3	12.8	12.7	12.8
Providers of capital				
Distributions: providers (£ m) Dividend	10.8	12.4	14.3	15.8
EC7 Retained earnings (ROACE) (£ m)	24.2	31.6	38.3	41.2
Public sector				
EC8 Total sum of taxes	To be measured by new accounting system			
Corporation tax (£m)	15.5	19.1	23.0	25.1
EC9 Subsidies received (£)	Not recorded centrally			
EC10 Donations: community, etc. (£)**	-	-	-	**
Additional monetary flow indicators				
EC11 Group suppliers >10% of build costs	1	0	0	0
EC12 Non-core business spend (£)	No spend on infrastructure for employees recorded			
EC13 Indirect product impacts (£)	See Community, Contractor and Supplier Sections			

*The Accounting policy changed in 2002. Detailed adjusted figures available for 2001.

**EC10 Donations - see following pages

2000 - 2002 figures combine Group and employee donations only and exclude development donations.

2003 employee and Group donations reported separately and exclude development donations.

2004 Examples of significant donations to community and civil society are tabulated on the following page. Group and employee donations are reported in the following society indicators table under S01

- No data available.

13. Performance indicators

** EC10 Donations to community, civil society, and other groups broken down in terms of cash and in kind per type of group (typical examples from various years)

EC10 Donations to community and civil society

Year	Project Partners	Donations, funding and provisions within Section 106 agreements with local authorities and other stakeholders/partners	£'s
1998	Bolnore Village, Haywards Heath West Sussex Crest Nicholson Mid Sussex DC W Sussex CC Heaslands Estate	Play areas and amenity space provision	-
		• 3 x 2000 m2 neighbourhood equipment play areas,	-
		• 5 x 750m2 local equipped areas of play, and	167,589
		• 16 x 100m2 local areas of play and maintenance funding	185,000
		Woodland transfer of 15.8 ha and maintenance funding	21,000
		Formal recreation areas and ancillary facilities maintenance funding	372,000
		4.8 ha of land for recreation, sports and leisure and payment	-
		Informal open space - meadow adoption and other areas payment	-
		Affordable Housing - 90 for rent and 20 for shared ownership	-
		Community facilities - cost of land to be cleared and decontaminated	-
		Primary School land donation and new build contribution funding	468,523
		New library contribution for Haywards Heath	48,450
		Community area, doctors surgery and shops - provision of free land	-
		Balancing pond build and contribution	14,000
		Public transport - funding for bus service	300,000
		Relief road and bridge funding and construction (including all property costs)	13,600,000
		Total agreed	15,176,562
2000	Ingress Park, Greenhithe, Kent. Crest Nicholson Dartford BC Kent CC Pandora Int. BPT Ltd	Public open space landscaping: Village Quarter, Waterfront, Pier, Parklands,	-
		Woodlands, Abbey Environs and Village Heights	-
		3 equipped children's play areas: transfer and maintenance donation	120,500
		Fastrack public transport link area and restoration of the Gate House	-
		Local bus service subsidy and erection of two bus stops.	175,000
		Mixed use local centre for convenience food store	-
		Pedestrian and cycle routes	-
		Themed pub/restaurant construction.	-
		8 live/ work units of 743m2 - design and build	-
		School and playing fields - transfer of land to the CC	-
		Environmental remediation for school construction and playing fields.	-
		Urban and school design appraisal including access routes.	-
		Rebuilding, restoration and landscaping - Ingress Abbey.	-
		Listed and unlisted structures: Coach House, Park Wall, garden features etc.	-
		Infrastructure - road junction, paths, cycle ways and traffic signals.	-
		Affordable housing - 95 units from flats to 3 bedroom houses	-
		Boat house facilities and funding for river front groups.	£50,000
		Total agreed	345,500

Continued...

13. Performance indicators

EC10 Donations to community and civil society

Year	Project Partners	Donations, funding and provisions within Section 106 agreements with local authorities and other stakeholders/partners	£'s
2000	Haydon III Swindon, Wiltshire McLagan Investments Ltd Crest Nicholson Wimpey Homes Bryant Homes McLean Homes	Community facilities works, design and supervision	533,000
		Community halls, sports halls and green route,	-
		Floodlit and all weather/grass sports pitches and courts	-
		Section 106 agreed contributions	31,360,000
		Social facilities	-
		Open space and site of special scientific interest (SSSI) contributions	-
		Transportation contributions	-
		Roads, bridges and canal culvert.	-
		Total estimate	31,893,000
2002	Port Marine, Portishead, Avon Crest Nicholson Persimmon N Somerset DC Wessex Water	Pegasus crossing	10,000
		- road/footpath/cycleway networks, traffic calming scheme and highway land	-
		Strategic transport link - rail corridor study and construction	1,000,000
		Bus service - additional express shuttle services to Bristol and Weston-s-Mare	1,000,000
		Bus stop shelters	5,000
		Open space and drainage - coastal sea defence and wall works, fencing for sea bank, salt marsh and foreshore, landscaping and maintenance of watercourses,	variable
		footbridges, viewing platform, maintenance, upkeep and repair	-
		Wildlife refuge land: habitat creation, protected species contingency, species reserve and relocation, native species specification, artificial wildlife structures,	-
		new landform features, earth movement and soil management, wildlife protection	-
		construction and wildlife monitoring, wetlands, raised pastures, hay meadows, educational publications, and management plans for transfer.	-
		Play areas - shrub beds, highway verges, grassed areas, sports pitches, formal parks, landscaping, mature woodland, open water and supervision	32,175
		Public Art - construct and erect in open space and buildings	-
		Land for education	-
		Primary school, hard court and road	300,000
		Remediation of contaminated land	-
		New Secondary school and new facilities for Gordano School	600,000
		Social and community facilities provision	-
		Public library contribution	37,000
		Youth Centre contribution- for substantial refurbishment	250,000
		Floating pontoon and water sports contribution - canoes, wind surfers etc.	60,000
		Affordable housing - land and 150 units (90 houses and 60 apartments)	-
		BRE EcoHomes - 'Good' rating - to be met by all units	-
		BRE EcoHomes - 'Excellent' rating - 15 houses to promote energy conservation	-
		Waste management facilities - for domestic sorting, recycling and disposal	75,000
		Transport noise/vibration studies and mitigation - for residential properties	-
		Security by design - to minimise the risk of criminal and anti-social behaviour	-
		Total agreed	3,369,175

Continued...

13. Performance indicators

EC10 Donations to community and civil society

Year	Project Partners	Donations, funding and provisions within Section 106 agreements with local authorities and other stakeholders/partners	£'s
2003	Harbourside Bristol Crest Nicholson Bristol City Council Taylor Woodrow	Public open space and access land (1.72 ha)	5,792,000
		Works land	5,903,000
		Affordable housing - 10%	5,440,000
		Public art provision	567,000
		Public realm maintenance contribution	347,000
		Public transport, signs, forum, roundabout , park and ride	881,850
		Waterside pavilion and community hall - first floor building 12	811,000
		Landscaping outside of development area	32,000
		Long stay coach park and roundabout - building 8	35,900
		Total agreed	19,809,750
2004	Pitwines, Poole, Dorset Crest Nicholson, Borough of Poole	Improvements to adjacent roundabouts	£80,000
		One-way traffic flow scheme	£25,000
		Off-site cycle way links	£15,000
		Safer routes to school	£10,000
		Bus-stop facilities	£20,000
		Automatic traffic counters	£12,000
		Education contributions	£344,685
		Recreational contributions	£516,684
		Travel Plan	-
		Passenger transport contribution	£200,000
		Car Club	-
		Affordable housing, 186 units	-
		Local Areas of Play and Public Art	-
		Total agreed	£1,223,369
2004	Park Central, Birmingham Crest Nicholson Birmingham City Council Optima	Social housing subsidies	8,652,000
		Remediation and ground modelling	4,911,000
		Highway improvement work	4,758,000
		Two new parks	2,449,000
		New community hall and facilities	2,245,000
		Environmental enhancements	1,578,000
		Public open spaces - squares	1,510,000
		New utility distribution networks and alterations to old ones	1,308,000
		New pedestrian and cycle bridge linking communities	424,000
		Subway closures	364,000
		Public art	133,000
		Socio-economic contributions	50,000
		Total agreed	28,382,000

13. Performance indicators

Voluntary initiatives	Time in kind
Office of the Deputy Prime Minister	A series of ad hoc meetings between senior executives and the Deputy Prime Minister and senior officials in his Ministry on housing production and urban regeneration.
Royal Institute of British Architects (2004)	Participation in debate on housing in the UK, 'Charting the regeneration future' (2024) The Housing Futures web site
Building Research Establishment	Crest Nicholson Chief Executive appointed as a trustee director of the Building Research Establishment Trust. This charity has the objective of guiding, financing and promoting research into the built environment for the public good.
FTSE4 Good Index Series Constituent Member (2003)	Practising the integration of their human rights and environmental sustainability criteria into our management systems for socially responsible investors
Ethical Research and Information Association (2003)	Participation in their ethical, social and environmental surveys in 2003
Global Reporting Initiative Adoption: 2003	Use of their guidelines for our annual Corporate Responsibility report and selection of key economic, environmental, social and society performance indicators
Business in the Community (2003)	Adoption of their corporate responsibility management format and reporting structure for workplace, community, market place and environmental issues
Construction Industry Research and Information Association. Adoption: 2003 Status: Research Steering Group	Steering groups: 'Tomorrow's Company' non-financial performance reporting guide for investors, 'Compliance +', an Environment Agency web guide for build site good practice, Recycled secondary aggregate supply case study for the WRAP web site
Insight Investment and WWF (2003)	Participation in the sustainable homes campaign benchmarking review and ongoing progress of Corporate Responsibility and the Code for Sustainable Buildings.
The Morley Fund and Igloo Investments (2004)	Residential sector engagement to inform equity investment and developers of the corporate responsibility issues that can influence ratings, investments and valuations
UK Social Investment Forum - Just Pensions (2004)	Participation in the construction and building materials sector analysis of social and environmental risks
Innovest Group (2004)	Participation in a strategic advisors review of corporate social and environmental performance value as an indicator of management quality in the building sector
ISIS Asset Management (2004)	Participation in a workshop for assessment of FTSE sector companies to biodiversity risk, supported by Barclays, English Nature and Earthwatch
The House Builders Federation	Participation in various consultations including revisions to the EcoHomes rating system above standard building regulations.
The Housing Corporation Adoption: 2002 Status: 'Sustainability works'	Continued training programme of planning and design personnel on the use of the Housing Corporations 'Sustainability works' social housing development tool.
South East of England Development Agency (2004)	Consultation workshop for planners and designers on the sustainability check list for developments in the South East of England

Continued...

13. Performance indicators

Voluntary initiatives	Time in kind
Government Office for London SE Climate Change Partnership Sustainable Development Round Table for the East of England	Donated time in kind to the Three Regions Climate Change Group consultation workshop on adapting to climate change - a checklist for development
Somerset Trust for Sustainable Development	Presentation of Crest Nicholson's response to Corporate Responsibility for the Trusts' conference 'The Business of Sustainable Building'.
Royal Institute of Chartered Surveyors	Presentation of Crest Nicholson's sustainable development strategy in practice at Port Marine, Portishead, Bristol.

Voluntary initiatives	Subscriptions to charities (2004)
Surrey Wildlife Trust (SWT) Adoption: 1999 Status: Ambassador	Donation to the management of a Site of Special Scientific Interest (SSSI), floodplain for on going ecological reporting and management. Donation of office furniture.
Forum For The Future Adoption: 2001 Status: Partners	Forum Business Network and workshops to engage senior management from sales, marketing, customer services and two project development teams in sustainable development using The Natural Step framework, a science based learning and decision-making programme.
Shelter Adoption: 2002 Status: Partners	A three year partnership with Shelter to provide technical advice and donations to their help line for the homeless and badly housed.
The Town and Country Planning Association Adoption: 2003 Status: Corporate Fellowship	Involvement in the Sustainable Housing Forum, making recommendations to the Government and house building industry.
The Natural History Museum Adoption: 2003 Status: Patron (Collector)	Supporting research to conserve global biodiversity against the threats of habitat destruction, climate change, disease and famine.

13. Performance indicators

Environmental indicators

	2001	2002	2003	2004
EN1 Total material use (weight/volume)	Measured by cost in 2003 report			
EN2 Use of recycled waste	Measurement system to be developed			
	Energy			
EN3 Permanent office energy use (mj)*	6,454,056	6,282,625	7,119,930	7,727,813
Electricity (mega joules)	2,868,750	3,499,102	3,453,480	3,152,598
Gas (mega joules)'	3,585,305	2,783,523	3,666,450	4,575,214
Electricity and gas site use (joules)	Significance assessed by Action Energy/ The Carbon Trust - Section 9			
EN4 Indirect energy use	Used to produce and deliver materials - Contractor and Supplier Section 10			
	Water			
EN5 Office total water use (litres)*	5,493	5,990	4,556	5,389
Office use (cubic metres per person per year)	7.1	7.0	5.0	6.1
Build site use (litres)	Data collection method to be assessed			
	Biodiversity			
EN6 Area of biodiversity rich land	Estimated in terms of % of 'green field' and 'brown field' projects per annum			
'Brown field' projects (%)	60	70	75	76
'Green field' projects (%)	40	30	25	24
EN7 Impacts on biodiversity	See Environmental Stewardship sections			
	Emissions, Effluents and Waste			
EN8 Permanent offices CO2 ton. equ.	532	565	616	626
Carbon dioxide emissions kg CO2/sq.m	86	81	89	90
Site offices CO2 ton. equivalent	Significance assessed by Action Energy/ The Carbon Trust - Section 9			
EN9 Ozone depleting substances	Assessment included in BRE EcoHomes ratings - Section 9			
EN10 NOx, SOx and other emissions	Assessment included in BRE EcoHomes ratings - Section 9			
EN11 Office waste (metric tonnes)*	186	217	190	232
Total office waste to landfill (metric tonnes)	186	217	174	216
Office waste kg per person per year	241	253	208	263
Office waste recycled (Metric Tonnes)	-	-	15.6	15.1
Office waste recycled %	-	-	8.2	6.5
Construction waste (Skip Costs) £*	819,284	1,078,539	1,268,769	1,469,174
Estimated Number of 4 yd skips	7,124	9,379	11,033	10,883
Estimated volume of waste (m3)	32,770	43,143	50,752	49,927
Waste % of build costs	0.44	0.46	0.48	0.51
EN12 Water discharges office (litres)*	5,235	5,990	4,556	5,389
EN13 Significant spills (litres)	See Environmental Stewardship Section 9 - Compliance			
	Products and Services			
EN14 Impacts of developments	See Community and Environmental Stewardship Sections 8 and 9			
E15 Reclaimable build % weight	Measurement system to be researched			

*data based on financial estimates

'does not include gas data for one South West office.

-no target set / not appropriate / no data available

BRE = Building Research Establishment

Continued...

13. Performance indicators

Environmental indicators

	2001	2002	2003	2004
Compliance				
EN16 Prosecution fines	0	0	1	0
Additional Energy Use Indicators				
EN17 New home energy efficiency	Measured by sector specific Standard Assessment Procedure (SAP)			
Group average SAP rating	-	90*	95	100
London	-	-	107	102
South	-	-	95	102
South West**	-	-	82	100
Eastern	-	-	85	100
Midlands**	-	-	101	98
South East	-	-	99	97
Group average	-	-	95	100
EN18 New home lifetime energy use (J)	EcoHomes carbon dioxide equivalent emissions per year (page28)			
EN19 Av. % build material impact use	Based on BRE Life Cycle Assessment (LCA) data base			
A % material of low environmental impact	-	-	-	55.2
B % material medium environmental impact	-	-	-	25.7
C % material high environmental impact	-	-	-	19.1
Additional Water Use Indicators				
EN20 Water sources impacted by use	Predominantly local water utility mains supply use			
EN21 Water use as % of renewable water	100% utility company treatment			
Water use range (m3/bed space) EcoHome	-	-	50<50	41.30-48.20
EN22 Water recycling and reuse - new homes	See Environmental Stewardship Section			
Additional Biodiversity Indicators				
EN23 Strategic development land (ha)	291	364	324	320
Strategic and short term land banks (plots)	22,286	24,495	26,440	28,242
Short term land bank (plots)	10,424	11,264	12,173	13,857
Land leased for office space (m2)	6,203	6,949	6,949	6,949
EN24 % of leased impermeable land	~90%	~90%	~90%	~90%
EN25 Impact on protected sites	See Environmental Stewardship Section			
EN26 Habitat protected / restored %	See Environmental Stewardship Section - EcoHomes 'land use and ecology'			

*Estimated data by Design Executives

**Some apartments had electric heating and were assessed to the 1995 Approved Document L

Continued...

13. Performance indicators

Environmental indicators

	2001	2002	2003	2004
EN27 Programmes, objectives and targets	See Environmental Stewardship Section - EcoHomes objectives and targets			
EN28 Listed species in project areas (No) Not measured centrally	-	-	0	0
EcoHomes species per hectare (average)	-	-	-	8.3
EcoHomes total number of species (average)	-	-	-	4.64
EN29 Projects in protected areas (No)	Developments prohibited in protected areas			
Additional Emissions, Effluents and Waste Indicators				
EN30 Indirect greenhouse gas emissions	Assessed by EcoHomes and SAP ratings			
CO2 kg/m2 /year (EcoHomes range)	-	-	<45-30	<33-25
NOx Kg/kWh/year (EcoHomes)	-	-	<100-70	<70
Carbon Index - Group average for new homes	-	-	-	8
Carbon Index - South region average	-	-	-	8.43
Carbon Index - London region average	-	-	-	8.00
Carbon Index - Eastern region average	-	-	-	7.87
Carbon Index - South West region average**	-	-	-	7.72
Carbon Index - South East region average	-	-	-	7.50
Carbon Index - Midlands region average**	-	-	-	7.48
EN31 Site hazardous waste (£)	To be assessed after implementation of new accounting system			
EN32 Build site runoff (complaints)	0	1	1	0
Additional Supplier Indicators				
EN33 Suppliers with policy/certificate etc	See Contractors and Suppliers Section - Environmental assessment			
Additional Transport Indicators				
EN34 Transport - logistical impacts	See Contractors and Suppliers Section - Environmental assessment			
Energy and transport planning	See Environmental Stewardship Section - EcoHomes			
Additional Overall Indicator				
EN35 Total environmental expenditure	To be measured by new accounting system			

**Some apartments had electric heating and were assessed to the 1995 Approved Document L.

-no target set / not appropriate / no data available

LCA = Life Cycle Assessment, SAP = Standard Assessment Procedure, CI = Carbon Index

13. Performance indicators

Social indicators

	2001	2002	2003	2004
Employment				
LA1 Employees (average)	772	859	899	887
Temporary/part-time employees %	-	1	1	4
LA2 Net employment creation %	-	10	5	5
Average employee turnover %	33	23	21	21
Labour / Management Relations				
LA3 Trade union employee %	Not measured			
LA4 Employee consultation	See Human Resources Section			
LA5 Health and Safety reporting	See Occupational Health and Safety Section			
LA6 Health and Safety committee	See Occupational Health and Safety Section			
LA7 Standard injury				
Injury accidents	-	-	-	277
Fatal work related (including Contractors)	-	1	0	0
Major injury**	-	-	-	7
Over 3 day injury**	-	-	-	34
Total incidents	-	-	-	318
Members of the public	-	-	-	0
Site visitors**	-	-	-	1
Delivery drivers**	-	-	-	2
Annual Injury Incidence Rate (AIIR)*	-	-	-	1266
Health and Safety Executive (HSE) inspector visits	-	-	-	32
HSE Prosecutions	-	0	1	1
HSE Prohibition notices	-	1	2	1
HSE Improvement notices	-	2	2	1
Lost days (includes subcontractors)	-	-	-	571
Absentee rates	Not measured at present			
Training (man days)	14	23	112	462
Site audits	-	-	-	569
Site Inspections (Number of visits)	612	624	882	156
LA8 HIV /AIDS programmes	No programmes			

Continued...

13. Performance indicators

Social indicators

	2001	2002	2003	2004
Training and education				
LA9 Training average hrs / employee	-	-	-	15
Diversity and opportunity				
LA10 Equal opportunity policy	See Human Resources Section			
LA11 Board of directors (female)	0	0	0	0
Senior management (female)	-	-	10	9
Female % of employees	-	-	29	30
LA12 Employee benefits	See Human Resources Section			
Social security contributions (£ m)	3.7	4.4	3.5	4.1
Pension scheme contributions (£ m)	2.6	3.0	3.4	3.0
Pension scheme employee eligibility %	-	100	100	100
BUPA Healthcare employee eligibility %	-	100	100	100
Maternity benefits	Statutory compliant			
Education	Limited professional sponsorship available			
Employee share owners % eligible employees	40	40	35	40
Bonus Scheme employee eligibility %	-	-	100	100
LA13 Worker representation	None			
Corporate governance	No current representation			
Management / Decision making	No current representation			
LA14 Health management systems	See Occupational Health and Safety Section			
LA15 Trade union H&S agreements	0	0	0	0
LA16 Career end support	See Human Resources Section			
LA17 Life long learning and skills	See Human Resources Section			

*The equation used to calculate the AIIR is in line with Government reporting on accident statistics.

AIIR is a 'lagging' performance indicator that is beset with 'small number problems: it does not take into account changes in our hazard profile, it does not address health, it does not measure our proactive management input.

** Reporting of Injuries, Diseases, and Dangerous Occurrences Regulations 1995 (RIDDOR)

- no target set / not appropriate / no data

13. Performance indicators

Human rights

HR1 Policy and management	Human Resources Section 2003 Report
HR2 Investment and procurement	Human Resources Section 2003 Report
HR3 Performance in contractors	See Contractors and Suppliers Section
HR4 Non-discrimination control	Human Resources Section
HR5 Freedom of association	Not measured
HR6 Child labour policy	Statutory compliant
HR7 Forced labour policy	Statutory compliant
HR8 Human Rights training	None
HR9 Appeal practices	Human Resources Section 2003 Report – Grievance
HR10 Non-retaliation policy	Human Resources Section 2003 Whistle blowing procedure
HR11 Training for security	Site security contractors responsibility
HR12 Indigenous people needs	See Stakeholder and Community Sections
HR13 Community grievance	See Stakeholder, Community and Customer Stewardship Sections
HR14 Revenue sharing	See Investment Community Section

Society indicators

	2001	2002	2003	2004
S01 Community policy	See Sustainable Development Policy			
Company contributions to charity	22,500	38,000	69,000	64,800
Contributions to charitable organisations	-	32,084	27,059	28,800
Contributions to communities - agreements	See provisions, funding and donations in section 106 agreements EC10			
S02 Bribery and corruption	See Governance and Human Resources Sections 2003			
S03 Political contributions	0	0	0	0
Political contributions policy	No donations			
Additional Society Indicators				
S04 Awards-social/environmental	See Awards Table, below			
S05 Indirect political gifts	0	0	0	0
S06 Competition and pricing	0	0	0	0
Anti-trust and monopoly prosecution	0	0	0	0
S07 Anti-competitive behaviour	0	0	0	0

Continued...

13. Performance indicators

Society indicators

	2001	2002	2003	2004
Product Responsibility				
PR1 Customer H&S policy	See Occupational Health and Safety Section			
Use of home / building	See Customer Services Section			
PR2 Products and services	See Customer Services Section			
Information and Labelling	See Contractors and Suppliers and Environmental Stewardship Sections			
New home / building manual	See Customer Services Section			
PR3 Consumer privacy	See Customer Services Section			
PR4 Customer H&S non-compliant	See Occupational Health and Safety Section			
PR5 Product H&S complaints	See Customer Services and Stakeholder Sections			
PR6 Labels / awards-community	See Community, Contractors, Suppliers and Environmental Stewardship Sections****			
PR7 Product labelling fines	0	0	0	0
PR8 Customer satisfaction	Customer Services Section			
Independent customer satisfaction scores	76	76	75	75***
Housing Forum National MORI Poll (* rating)	3	-	3	-
PR9 Advertising policy	Compliance with Advertising Standards Authority codes			
PR10 Advertising regulation breaches	0	0	0	0
PR11 Consumer privacy breaches	0	0	0	0

***Post sales measurement not complete

****See following awards table

-no target set / not appropriate/not measured annually

Continued...

13. Performance indicators

Society S04 & Social PR6 Social, ethical, environmental awards

Awarding Body	Category	2002 and prior years	2003	2004
Royal Town Planning Institute	(RTPI) Award Planning and urban design	Ingress Park-01	-	-
Commission for Architecture and the Built Environment	CABE Architecture and urban design	Ingress Park	-	-
Office of the Deputy Prime Minister	Building for life (Good housing and neighbourhoods)	-	Gold Standard Greenhithe	Gold Standard Port Marine
SE England Development Agency	Sustainable Business Awards	-	Commended Biodiversity award	-
The Green organisation	Green apple - Civic Pride award	-	-	Silver-Repton Park
Kent CC	Design awards House Building Quality Community Design	-	Ingress Park Winner Highly commended	-
Surrey CC	The Surrey Sustainable Business Awards	-	Commended Biodiversity Award	-
The Daily Mail	Tree Council Award Green Leaf Green Leaf	- Wellington Pk-99 Cepen Park-99	Ellenbury Park, - Basted Mill, Kent	- - -
Daily Express house builder awards	PSG Quality Service Best national builder Best builder House beautiful	Award Silver, (Gold-01) Silver-01 Award-01	Award Silver (1500+) Silver -	Award Silver - -
Telegraph What House?	Best development	Gold-Marshfield-01 Silver-Butler's Wharf-01	- -	Silver - Minchinhampton
	Best house	Gold-Gainsbor.-01	-	-
	Best volume builder	Silver-01	-	Bronze
	Best 'Brownfield' site	Gold-Butler's Wharf-01 Silver-Ingress Park	-	Gold-Ingress Park
	Best exterior design	Silver-Port Marine	-	Gold-Port Marine
	Best landscape design	Bronze-Bolnore Village.	Silver-Repton	-
	Best Partnerships Optima Charles Church	-	-	Bronze -Park Central -Brentford Lock

Continued...

13. Performance indicators

Society S04 & Social PR6 Social, ethical, environmental awards

Awarding Body	Category	2002 and prior years	2003	2004
Telegraph What House?	Best apartment	Bronze-Matiere	Bronze Westminster	-
Building Homes Quality	Customer Strategy Creative Marketing	Best (Best 01) -	Second Second-Park Central	- -
The Mail on Sunday National Homebuilder	Best use of 'brownfield' site-commendation Best renovation Commendation Landscape commend.	- - - -	Gold-Portishead Greenhithe - - -	- Ingress Park Perspective Century Buildings Port Marine
Evening Standard	Best 3 bedroom House Apartment New conversion Best New development	Best-Gainsbor. -01 Best-Chislehurst-01 Best-Butlers and C.-01 -	- - - Best-Ingress Park	- - - -
Retail Property Awards	Most innovative town centre shop/store design	-	Northgate Quarter	-
Insider Property	Developer of the year	Northgate Quarter	First-residential dev.	-
Your New Home	Best luxury home Best development	- -	Second-Manor Park Bolnore Village	- Bolnore Village
Birmingham Post Kent County Council Design Awards	Best luxury apartment House building for Quality House building for Community Design	- - -	B-Central Ingress Park - winner Ingress park - highly commended	- - -

14. Verification statement

Objective

RPS Group plc has been commissioned by Crest Nicholson PLC to conduct an independent verification of this Corporate Responsibility Report 2004, "Listening to the communities we build". 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 improving its social and environmental performance during 2004. The ongoing partnership with The Natural Step and Forum For the Future has enabled the development of sustainable development action plans, which identify and deliver improvements right across the business.

Following the appointment of the Group Health and Safety Manager, the development of a comprehensive Occupational Health and Safety Management System has proceeded at a rapid pace, ensuring health and safety risks are managed effectively. Similarly, the rollout of the Performance and Development Review process demonstrates a positive approach to managing the needs and aspirations of employees, with an additional benefit of implementing an effective method of identifying training need.

The achievement of the average 'Good' EcoHomes rating target during 2004 demonstrates commitment to sustainable housing. The aspirations for improving the average rating with more 'Very Good' ratings during 2005 will go further to demonstrate full implementation of the commitments made in the Sustainable Development policy.

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 2004. 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, April 2005, 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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Access to Information and Feedback

Crest Nicholson PLC provides public access and an opportunity for feedback on its sustainable development performance via its web site www.crestnicholson.com

Contact: Group Environmental Manager
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