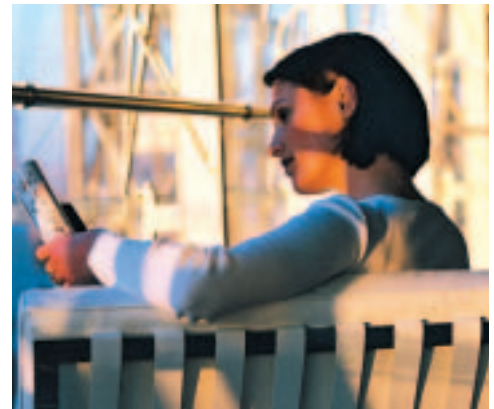


The Berkeley Group plc Sustainability Report 2003



The Berkeley Group plc



The Berkeley Group has an unrivalled understanding of the home building market and the financial strength to deliver its pioneering approach to land development. This gives value to its investors and promotes community regeneration throughout the country.

The Berkeley Group delivers value to its customers and investors by creating high quality developments in which people want to live, work and play.

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- 1 Royal Arsenal, London
- 2 Deansgate, Manchester
- 3 Chelsea Bridge Wharf, London
- 4 The London Wetland Centre, Barnes
- 5 One SE8, Deptford
- 6 Edwalton Hall Estate, Nottingham

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The Chairman and Managing Director



Roger Lewis
Chairman

Tony Pidgley
Managing Director

We remain committed to the economic social and environmental goals that we set out in our first report, which we believe add value to our business while delivering benefits to the communities in which we work.

The creation of new communities through the development of land is the core of Berkeley's business. Over the last decade our focus has been the regeneration of redundant land in major cities across the United Kingdom, bringing life and vitality to places and creating communities in which our customers can live, work and play. This focus placed sustainable development at the heart of our business strategy and led us to review the sustainability of all our activities. From there we developed a sustainability strategy, a process which culminated in the publication of our first sustainability report last year.

We remain committed to the economic, social and environmental goals that we set out in our first report, which we believe add value to our business while delivering benefits to the communities in which we work.

In this second report, we have provided more detailed information alongside case studies relating to some of the key sustainability issues for the industry. We have also reported on progress made on our 2002/3 targets and set new targets for our programme in 2003/4.

The details given in the case studies which follow are, we believe, testimony to the imagination and care with which the Group conducts its business and delivers value not only to its shareholders but to the wider community as well.

The key objectives of the sustainability strategy remain:

- **Identifying and minimising risks**
We seek to manage risks to the environment, to our employees and to the communities in which we work.
- **Operating efficiently**
We are working continually to ensure that the construction process is as efficient as possible.
- **Working with our stakeholders**
We do not impose ideas, we help plans evolve by engaging with those involved in the different aspects of our work.
- **Creating new opportunities**
We believe that we are at the forefront of change – sustainable communities must be sensitive to the past and learn from it but they must also be able to cope with the challenges of the future.

Overall the Company has progressed well against the targets we set. Important milestones for the Group include:

- Participation in the Business in the Environment 7th Index of Corporate Environmental Engagement. This year we improved our score in the survey from 64% to 75%.
- Listing in the FTSE4Good Index.

There, nevertheless, remain significant challenges for Berkeley and, indeed, for the home-building sector as a whole and we will continue to work hard in the coming year to ensure that sustainability principles continue to evolve throughout our business.

We hope this report provides a useful guide to the sustainability policies we have in place and the progress we have made over the last year. Our strategy continues to develop and we are excited about the challenges ahead. We look forward to reporting again in 12 months' time and in the meantime, we would welcome the views of investors, customers and any other stakeholders in our business on our progress and aims for the future.

Roger Lewis
Chairman

Tony Pidgley
Managing Director



The Berkeley Group plc

What we do

The Berkeley Group is a leader in the business of urban regeneration with over 90% of development taking place on brownfield land. Our talented and experienced management team consistently demonstrate the vision needed to create attractive and sustainable developments for our customers while extracting value from the land we develop.

The development of land involves a number of complex stages, from the initial acquisition of the land in question, through planning, designing, building and finally marketing a development.

Acquisition

The first part of the process is to find and buy new land for development. We undertake detailed risk assessments prior to any land acquisition which take into account sustainability issues.

Planning and design

Each of our projects has a dedicated team to prepare the planning application and associated environmental and sustainability assessments. This team takes a proactive

approach to ensuring that sustainability criteria are built into the entire design and planning process. We consult with a wide range of stakeholders to ensure their views and concerns are taken into account and that intelligent, original and imaginative solutions are found that are appropriate to the needs of the local community.

Construction

At all times, we work to ensure that our construction sites are safe, secure, tidy and cause as little disruption as reasonably possible to the local community. We also establish procedures to reduce pollution and to protect sensitive habitats or species. We work closely with our sub-contractors and suppliers to uphold the Group's commitment to sustainability in the day to day operation of our sites.

Sales and marketing

Wherever reasonably possible we integrate sustainability issues into mainstream sales and marketing information, including customer handbooks and choices concerning the specification of dwellings.





With over 25 years' experience of providing high quality homes, Berkeley Homes is one of the most successful property developers in London and the South East. Its portfolio includes contemporary apartments, traditional townhouses, conversions of period buildings and a range of mixed-use developments.



St George is London's leading mixed-use residential developer. Last year St George became the first property developer to be granted the prestigious Queen's Award for Enterprise: Sustainable Development 2002.



For over 70 years, The Crosby Group has maintained its reputation as a market leader. The Crosby Group now takes a leading role in the renaissance of cities across Britain, creating landmark buildings which have introduced a blend of quality residential and complementary retail, commercial and leisure uses.



Berkeley Community Villages has been established by The Berkeley Group to create new sustainable settlements in a way that is sensitive to existing communities and the natural environment.



St James is a joint venture between The Berkeley Group and Thames Water. It has gained a formidable reputation for introducing a new level of innovation to house building in London and the South East of England.



Berkeley College Homes is the dedicated student and key worker accommodation specialist in The Berkeley Group. It aims to deliver quality and practical accommodation which institutions, ranging from universities to NHS Trusts, can be proud to offer.



Berkeley Commercial is the Group's dedicated commercial property developer and investor, sharing the Group's passion for innovation and quality. Its flagship development is Gunwharf Quays at Portsmouth Harbour, which has become the focal point for the economic renaissance of Portsmouth.



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- 1 Royal Arsenal, Woolwich
- 2 Deansgate, Manchester
- 3 One SE8, Deptford
- 4 Aubrey Square, London
- 5 Ashfield House, Cheltenham
- 6 Charter Quay, Kingston
- 7 GunWharf Quays, Portsmouth

Strategies and policies

As a major contributor to the renaissance of Britain's towns and cities, The Berkeley Group is committed to improving the quality of life in the communities in which it operates. Berkeley recognises that to meet its financial objectives it must respect communities and physical environments. Environmental and social responsibilities are therefore central to the success of the business and by addressing them the Group enhances the value of its business.

The aim of The Berkeley Group's sustainability strategy is to make a long-term contribution to the environmental, social and economic fabric of the communities in which it works and to secure the advantages that this offers to the Group. Berkeley's strategy is based upon four key objectives:

- **Stakeholder engagement** – developing successful partnerships with our stakeholders and engaging them in our work towards sustainability.
- **Building communities** – making a long-term contribution to the physical, social and economic fabric of the communities in which the Group works.
- **Protecting and enhancing the natural environment** – making efficient use of natural resources and considering the long-term environmental impacts of the homes and commercial premises that the Group builds.

- **Contributing to a safe and skilled workforce** – providing a safe and healthy working environment for employees and ensuring that employees are treated fairly; encouraged to develop their skills, including their understanding of sustainability issues; and rewarded for their contribution to the Company's success.

These objectives are explored in more detail in this report and are accompanied by detailed case studies demonstrating how they translate into practical action.

In striving to meet these objectives, The Berkeley Group will:

- Comply with all relevant legislation as a minimum standard and work towards best practice in sustainability.
- Strive towards continuous improvement in performance by reviewing progress on a regular basis and reporting this to the Board.
- Openly communicate progress towards sustainability targets both internally and externally, thereby demonstrating the Group's commitment and furthering its understanding.

Sustainability is an essential part of The Berkeley Group's activities. The Group is determined to deliver the advantages that sustainability offers to shareholders, customers, employees and the community.



Organisation and management systems

The Berkeley Group sustainability strategy covers the whole of the Group. All of the Group's divisions are required to comply with the Group sustainability policy.

Ultimate responsibility for all sustainability issues lies with The Berkeley Group Board of Directors. The Sustainability Working Group (SWG) is made up of senior executives from each of the main divisions and reviews policy and implementation issues on a quarterly basis. In addition to this overarching sustainability policy, the Group also has a number of other subsidiary policies covering specific issues, including environment, health and safety, and equal opportunities.

Berkeley has been developing its Key Performance Indicators and these are subject to continuous review by the SWG. The KPIs are based upon data gathered from each of the main divisions of the Group. These main divisions account for nearly all of the Group's turnover.

The Board of each division is responsible for all matters relating to sustainability within that division and for the implementation

of the Group sustainability policy. Each division is required to set sustainability objectives and to report to the Group on its performance. Sustainability issues are integrated into the management systems of each division.

In order to facilitate the sharing of knowledge and experience between operating companies, the Group is developing a company intranet which will be an important tool in sharing best practice. The Group also receives quarterly briefings on sustainability issues and good practice notes relating to specific issues such as on-site waste management. The SWG also receives presentations from outside speakers and is a member of the Property Environment Group, which runs regular environmental seminars.

Stakeholder engagement is at the heart of Berkeley's strategy. An important part of this is The Berkeley Group Sustainability Report, which is an essential tool for communicating good practice to both internal and external audiences.



The Sustainability Working Group is made up of senior executives from each of the main divisions and reviews policy and implementation issues on a quarterly basis.

Targets 2002 – progress

2002 Target – Group

To standardise the data gathered for our key performance indicators, setting specific performance targets where appropriate.

Progress

The Group has standardised the data gathered for its KPIs over the last year and reviewed performance against KPIs at every quarterly Sustainability Working Group (SWG) meeting. At these meetings the suitability of KPIs is reviewed and any changes that may be appropriate are determined.

To pilot the integration of renewable energy on at least one major project within the Group.

The Group has a number of projects in the planning and design phase that are examining the commercial feasibility of renewable technologies. In particular, the Group is maintaining an active dialogue with Solar Century to examine the commercial feasibility of Photo Voltaic Panels being used in the community building at Worcester Park.

To continue our work with WWF to review our timber supply.

The Berkeley Group is currently investigating with our main timber suppliers the commercial implications of procuring an increasing amount of our timber from certified sustainable sources.

To develop guidance notes for the divisions on five key sustainability issues.

Through the Sustainability Working Group, guidance notes have been developed and divisions have received briefing notes on energy labelling for appliances, renewable energy, on-site waste management the BRE Eco-Homes assessment and the EU Buildings Directive.

To develop further the Group sustainability intranet so that we can communicate best practice more effectively.

Subject to the approval of the SWG, the Group sustainability intranet will become operational in the year.

To develop a resource efficiency programme for our office in Cobham.

An environmental action plan has been developed for the Group head office in Cobham. This covers energy, transport, water and waste. The actions have been prioritised and will be progressively implemented.

To develop a more proactive dialogue concerning sustainability with our investors and to be listed in the FTSE4Good.

We have successfully created a more proactive dialogue with investors on sustainability issues. This has included site visits and face-to-face meetings with socially responsible investment teams. We achieved a listing in the FTSE4Good in its most recent review.

To issue a sustainability report for the financial year 2002/3 and to report on progress towards these targets.

This report not only includes information on our progress towards these targets but also highlights many other sustainability initiatives that the Group is undertaking.

2002 Target – Divisions

Progress

To develop further the divisional sustainability strategies and implementation programmes.

All of the main divisions within the Group now have their own sustainability policies, strategies and implementation programmes.

To ensure that any fridge/freezers/dishwashers/washing machines and dryers we install in our dwellings have an energy efficiency rating of at least B.

Each division will be specifying appliances with energy efficiency ratings of B or above. We will establish a process to monitor the effective implementation of this policy.

To install low-flush w.c's in all new dwellings.

Each division has made significant progress towards this target. As this is now a requirement of building regulations, we are currently considering the possibility of changing standard specifications to dual flush w.c's.

To develop and implement waste management strategies on all of our new major projects.

Whilst each division is taking a slightly different approach to developing waste management strategies, each is addressing waste management on new major projects through developing site working parties, entering into partnering arrangements with external contractors and developing fully integrated waste management strategies.

To sign up to the Considerate Constructors Scheme on all new eligible sites.

All divisions have signed up new sites to the Considerate Constructors Scheme, wherever it is in operation.

To write to prioritised suppliers and contractors asking them about their approach to sustainability issues.

The main divisions have all begun to engage with their supply chain from writing to contractors and consultants asking about their approach, to developing sustainability related partnerships with contractors.

To include sustainability issues in our employee induction programmes.

A number of divisions are currently reviewing their induction programmes. In light of the development of the Group intranet, all induction programmes will include sustainability issues this year.

To undertake BREEAM assessments on all new commercial office developments.

On the new office development at St George Wharf, a BREEAM assessment is being undertaken.

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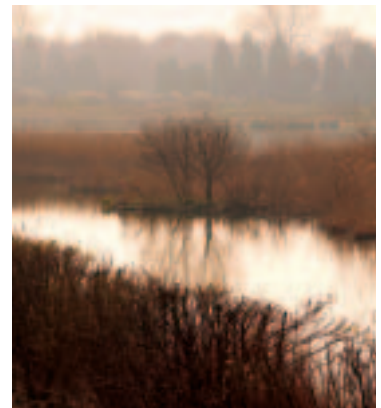
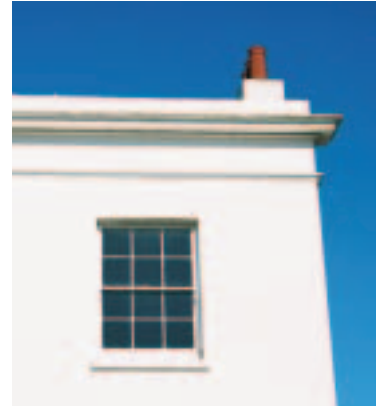
1 One SE8, Deptford

2 Royal Clarence Yard, Gosport

3 The London Wetland Centre, Barnes

4 Rosemary Gate, Esher, Surrey

5 Chelsea Bridge Wharf, London



The Berkeley Group aims to create sustainable communities in which people can live, work and play.

Engaging with stakeholders

The Berkeley Group is committed to listening to the concerns and aspirations of the communities in which it works and finding the appropriate solutions in every development.

Berkeley's stakeholders are defined as any individual or group of individuals that either affect or are affected by its activities. The Group seeks to meet the aspirations of its local stakeholders through engaging with them in the communities in which they live.

Community consultation

In respect of planning, The Berkeley Group has developed structured programmes for community consultation throughout the development process. It involves the community in the design of its developments and the use of public open spaces. The project at Worcester Park is a good example of this community dialogue. While it is not always possible to meet every individual expectation, Berkeley works hard to find the right solution for each individual development.

In liaising with communities, Berkeley makes full use of a variety of mechanisms such as newsletters, telephone helplines and regular meetings. On many of its larger projects, the Group's divisions appoint community liaison officers and establish community-based offices which act as centres where local people can contribute their views.

Other stakeholders

In addition to the close engagement with the local community, The Berkeley Group also works with broader stakeholder interests.

These include:

- Contractors, consultants and suppliers
- Customers (residential and commercial occupiers)
- Employees
- Government (national, regional and local)
- Housing associations and registered social landlords
- Industry bodies and trade associations
- Investors
- Local communities
- Non-governmental organisations
- Research organisations.

Engaging with such stakeholders provides the Group with important inputs in developing its agenda for sustainability and helps Berkeley deliver value to the wider community.



The number of customers that would recommend buying a Berkeley Group home to their best friends.

In the financial year 2002/3, the proportion of customers saying that they would recommend buying a Berkeley Group home to their best friends has remained consistent at 4 out of 5.

▶ Masterplan for Worcester Park where St James Group is creating a residential development and new open parkland on a redundant sewage treatment works.



Worcester Park Surrey

Worcester Park was a redundant sewage treatment works and although densely developed with structures, was designated Metropolitan Open Land. The site, however, was inaccessible to the public. Through the Unitary Development Plan Process the site has been promoted as being suitable for limited development in order to open up the land to public use. The proposed development forms a 'horseshoe' that overlooks 31 acres of open parkland.

Involving stakeholders

In addition to the normal series of meetings with councillors and planning officials, special open events were held to seek the views of existing residents.

Their main wish was for the parkland to remain informal, with a new area for nature conservation. Using resources provided by St James, the community itself developed such proposals and, after further detailed consultation within the community, the Company incorporated them into the masterplan for the site.

Traffic management was already a problem in the area. Taking advice from independent experts, the Company has invested substantially to help resolve the problems. New traffic signals are to be installed and local bus routes expanded by 50%.

Maintaining community liaison

Central to St James Group's approach is not only the desire to address specific issues but to ensure that the community is kept informed and involved throughout the lifetime of the project. There is a planning information centre located at the site's main entrance as the focal point for community liaison and a newsletter is to be delivered on a regular basis throughout the construction process to keep local communities informed of progress.

The site is a member of the Considerate Constructors Scheme and has a construction and environmental management plan approved by the council. In addition, agreement has been reached with the local school to restrict site deliveries within certain hours to avoid times at which the children may walk close to the site.

Long-term neighbourhood involvement

Worcester Park is a site of interest for nature conservation and will incorporate four acres of lakes, each designed for different habitats. This parkland will be privately owned yet publicly accessible and managed by the residents' management company.

The site will have a community centre managed by a Resident's Trust and St James Group will be taking an active role in the Worcester Park Forum, which brings together a wide range of local stakeholder groups.



◀ We consult with a wide range of stakeholders to ensure that their views are taken into account. This helps us find intelligent, original and imaginative solutions that are appropriate to the local community.

Building communities

Many of the Group's major developments now combine housing with leisure, retail and commercial activity. This builds real communities by bringing places of work, home and leisure closer together. The Gunwharf Quays case study demonstrates how the Company has encouraged the renewal of existing communities and the creation of new economic opportunity.

At the heart of The Berkeley Group's business is a belief that the creative development of redundant land to create diverse, integrated and mixed-used communities is a significant force in driving forward social and economic regeneration in towns and cities across Britain. In pursuing this belief, the Group fosters projects which are imaginative and fulfilling for its customers but which often need to make use of land which is derelict, contaminated or inaccessible. Berkeley is proud that the aspirations which underpin its values are supported by both national and local Government. The passion with which these aspirations are held, explains why the Group is involved in taking forward sites from which many others have turned away.

Affordable housing

One of the issues facing major urban areas is the lack of affordable housing for key workers. Delivering affordable housing while meeting financial objectives remains a challenge – but it is a challenge which the Group is facing.

For many years, The Berkeley Group has been pioneering innovative approaches to the integration of affordable housing into private developments. In partnership with local authorities and housing associations, Berkeley has ensured that its developments cater for a wide range of different housing needs. At Imperial Wharf, the particular circumstances of the site have allowed St George to achieve nearly 50% affordable housing.

Protecting our heritage

The Berkeley Group is renowned for the innovative and attractive developments that it creates. But we never forget the importance of protecting our existing heritage, both for the enjoyment of the community and out of a respect for the skill and expertise of craftsmen and builders who have gone before.

Imperial Wharf London

Imperial Wharf is a 32-acre former gasworks on the River Thames, surrounded by mixed-tenure housing, retail and leisure developments.

Pioneering affordable housing in private developments.

St George has been at the forefront of integrating affordable housing in its new developments, gaining much recognition for its proactive and innovative approach at local, regional and national Government level and remains committed to sustainable development.

St George was represented on the Mayor of London's Affordable Housing Commission, provided a secondment to the Office of the Deputy Prime Minister's innovative unit on affordable housing and was represented on the Board of Keep London Working. St George is also to be represented on the Housing Corporation's Home Ownership Task Force.

Reflecting different housing needs throughout the development.

Imperial Wharf is a mixed-use development of two million square feet which includes 1,665 homes.

The affordable homes include:

- 525 housing association units for rent
- 125 shared ownership units
- 50 frail elderly units for rent
- 40 student units
- 50 key worker units for rent
- 25 key worker units for sale.

A key aspect of the affordable housing is its integration into the rest of the scheme, so creating a genuinely mixed community with consequent social and economic benefits.

Achieving nearly 50% affordable housing was a commercial challenge, made possible by the high level of grant from the Housing Corporation to fund the housing association provision.

The diversity of affordable housing in accordance with PPG 3 guidance was also extremely important to achieving this high level of provision.

The selected local housing associations are now working together with the Council, the Housing Corporation and St George as part of a housing strategy team to ensure that the development will create a best practice benchmark for affordable housing in London.



◀ Imperial Wharf, London where St George is providing nearly 50% affordable housing in this pioneering development.

▼ The Berkeley Group is playing a key role in the provision of housing for key workers.



Royal Arsenal Woolwich

The Royal Arsenal at Woolwich was established in the 17th century and served as an important centre for the manufacture of ordnance for over three centuries. By the end of the First World War it covered 1,200 acres and employed over 70,000 workers. During the late 20th century the Royal Arsenal gradually contracted, leading to its eventual closure in the 1970s. The consequent loss of employment contributed to a major economic decline in the Woolwich area.

The importance of the Royal Arsenal as a focus for the regeneration of Woolwich was recognised by English Partnerships at the end of the 1990s with the creation of a master plan for redevelopment of the area. This envisaged a major mixed-use development including space for business, leisure, museums and residential dwellings. Berkeley Homes has embarked upon a development plan comprising town houses and apartments, including 25% affordable housing.

Bringing historic buildings back to life

The site is in a conservation area and contains seven listed buildings, five of which are Grade 2*. Of the 1,200 units being built by Berkeley Homes on this site, 55% are refurbished units rather than new build. The Grand Store, for example, was originally used as a munitions factory and is now being converted into 150 apartments.

It is always a priority to ensure that local archaeology is not disturbed as a result of our developments. Given the historical significance of the area, experts were employed to undertake extensive archaeological investigations below much of the site as part of the development process.

The design solutions for the apartments in the listed buildings required careful consideration to ensure that the existing features, facades and windows were retained. An example of this can be seen within one of the buildings where more than 220 cast iron columns were reused in the exterior of another refurbished building. In keeping with the principle of recycling, existing materials such as sash windows, timber joists and architraves have been retained wherever reasonably possible.

Due to the unique nature of the site, Berkeley Homes involves and consults with a wide range of organisations throughout the development process including English Heritage, the local authority conservation office, The Woolwich Historical Society and the Environment Agency.

The Royal Arsenal development represents a significant investment in the local economy and will serve as a catalyst to the regeneration of Woolwich and the surrounding area over the coming years.





Restored and refurbished buildings at the Royal Arsenal, Woolwich where 55% of the units are refurbished as opposed to new build. Extensive archaeological investigations were carried out below much of the site as part of the development process.

The Royal Arsenal development will serve as a catalyst to the regeneration of Woolwich.

Gunwharf Quays Portsmouth

Gunwharf Quays, on the waterfront in Portsmouth, was formerly owned by the Ministry of Defence. Gunwharf Quays is an historic place. Created as a naval base in the 1500s, it thrived for many hundreds of years before being closed by the Royal Navy in the late 1980s. The Berkeley Group bought the derelict site in 1997.

A visionary development at Gunwharf Quays was needed to help give focus to the area's wider regeneration. Rising to this challenge, Berkeley evolved an imaginative plan for a commercial factory-outlet retail centre, surrounded by housing and other commercial spaces, including a hotel and leisure complex.

Gunwharf Quays now has 68 shops offering varied and exciting goods at prices up to 70% less than a normal high street. A unique feature of Gunwharf Quays is the integration of commercial, leisure and retail activities. The retail outlets occupy the ground floor of the development together with some bars and restaurants. The leisure and commercial spaces are mainly on the upper floors and include bars, restaurants, a cinema, bowling alley, comedy club, nightclub, and later will include a casino and a hotel.

A new economy for Portsmouth – retail, leisure, culture, tourism

Working with the Portsmouth Harbour Consortium, Berkeley has invested considerable resources to market Gunwharf Quays, promoting this 'Destination Unmissable' to the 'Professional Shopper'. This marketing strategy includes a dynamic television, cinema, press, poster and radio advertising campaign. As a result, Gunwharf Quays has become a remarkable visitor attraction as opposed to simply being a shopping centre, benefiting the economic prospects of Portsmouth as a whole and making a significant contribution to improving employment prospects in the area. It is also encouraging that around half of all visitors arrive by public transport.

Gunwharf Quay's public spaces are in constant use, which brings the development close to the local community. Events are diverse: a James Bond film premier attended by The Prince of Wales, the finish of the 2000 round the world yacht race, being included in the Queen's Golden Jubilee Tour, cooking demonstrations and extreme games weekends, musical events, carnivals and themed days – such as one involving witches and wizards to coincide with the opening of the new Harry Potter film!



▲ **Portsmouth City Council:**
"Gunwharf Quays development has helped raise investor confidence in the city as a whole."

▶ Local people can now enjoy a high quality shopping and leisure experience at Gunwharf Quays.



Charter Quay Kingston upon Thames

Charter Quay is a major mixed-use development by St George in the heart of the historic market town of Kingston upon Thames and includes:

- 244 residential dwellings with a gym and business centre
- Over 50,000 square feet of new retail and restaurant space
- A 1,100 seat theatre for the local community
- A public piazza including public art
- A new river walkway, moorings and houseboat facilities
- A new riverside area for ecological conservation.

This award-winning Charter Quay scheme demonstrates the success that can be achieved through effective partnerships between the public and private sectors. The scheme has played a central role in regenerating an historically important part of the town centre, providing a major new community facility, giving access to a new area of public open space and enhancing the natural environment.

The spacious commercial units have provided new retail and restaurant space which has reinvigorated this part of the town and created an estimated 300 long-term jobs, many of which will be for local people.

Kingston has over 20 million visitors a year. Careful design that encourages public access to the car-free piazza and river walkway has also ensured a significant increase in visitors to the historic market place en route to Charter Quay.

St George worked closely with the Kingston Theatre Trust to develop a design and business plan for the new theatre which will ensure its future as a thriving cultural centre for the local community. The theatre has a seating capacity of 1,100 seats within an open stage design, a studio theatre, rehearsal room and foyer platform for small-scale performances with a gallery, café and restaurant.

To provide attractive public spaces and enhance the existing biodiversity, St George has opened up a riverside walkway and worked with specialist ecological consultants to develop a conservation plan. This included the formation of new wetlands, breeding and roosting sites for bats and birds and riverwall treatments to enable plants and invertebrates to thrive.



▲ Charter Quay, Kingston: an exciting development on the riverside which has played a key role in regenerating the historic town centre.

◀ Kingston's new theatre built by St George as part of the Charter Quay project.

Protecting and enhancing the natural environment

Everyone in society – individuals, business and Government – has a responsibility to help safeguard the natural environment for future generations. More immediately, an attractive natural environment enhances the quality of life and providing such surroundings is essential to the commercial success of our developments.

The regeneration of redundant land (often known as brownfield sites) remains central to the Group's business strategy. Such land is often found near the centre of cities where there is a demand for more housing, as well as more obvious commercial office and retail uses. In creating new communities, the Group has both a responsibility to the community and to its customers to find ways of giving ecological value and beauty to land which has previously been used.

In planning its developments, Berkeley makes the most of every opportunity to create new open spaces for people and protected areas for wildlife. This strategy has been especially effective in London, with increased access to the River Thames, new parkland and other community amenities. For example, St George is making a major contribution to the opening up of 2,000m of river walkways along the River Thames. Berkeley Homes will be opening up to 360m of riverside walkways for the first time in over 150 years.

The London Wetland Centre case study illustrates how a developer can make a sustainable contribution to ecological diversity by creating new habitats as well as providing a facility to educate future generations about the importance of caring for the environment.

On many of its large developments Berkeley carries out detailed Environmental Impact Assessments as a matter of course to assess the impact the development process will have on the local environment and to ensure appropriate mitigation measures are in place.

Waste is a key environmental impact to be addressed as it also has significant cost implications for the business. All parts of The Berkeley Group are reviewing their approaches to waste management and implementing formal waste management strategies on some of their larger sites.

Energy

The Berkeley Group is committed to improving the energy efficiency of all residential and commercial properties that it builds and is exploring the commercial feasibility of integrating renewable technologies into its developments.

SAP Ratings

SAP ratings provide a good indication of the energy efficiency of dwellings. Excellent SAP ratings of between 92 & 94 have been achieved on the new build element of the scheme at Royal Arsenal. At Charter Quay SAP ratings above 80 were consistently achieved with many dwellings achieving 100.

Chelsea Bridge Wharf

At Chelsea Bridge Wharf, wind tunnel testing and daylight and sunshine studies were employed to assist in the design of energy efficient buildings. The orientation of buildings is aimed at maximising the benefits of natural daylight and controlling heat loss. The building contains an electrically powered whole house ventilation system, which incorporates heat recovery.

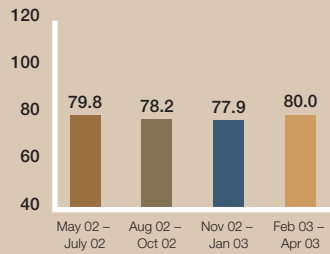
Gunwharf Quays

At Gunwharf Quays automatic shutdown systems have been installed in the car park. These operate based upon the number of visitors. A central air conditioning system serves the premises with individually metered supplies for tenants, thereby enabling tenants to benefit from resource efficiency.

Vauxhall Tower

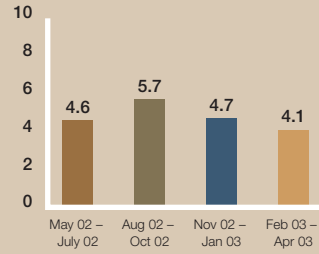
St George is currently seeking planning consent to build an environmentally responsible tall building as part of the St George Wharf development. The building will heat, cool and generate hot water using the Thames Acquirer. The design includes Winter Gardens which will act as thermal buffers.

Average SAP Rating for all dwellings built



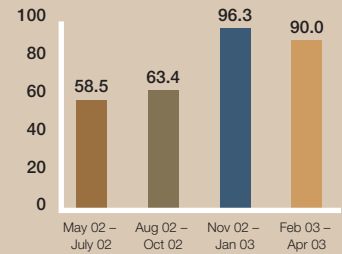
The Group is committed to addressing its long-term environmental impacts and is exploring ways in which it can reduce its developments' contribution to climate change. This includes considering both the source of energy and its efficiency in use.

Average number of 7-yard skips removed per dwelling built



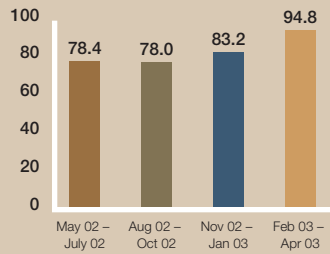
Gathering meaningful data concerning waste is difficult. For example, the number of skips does not provide an accurate indication of the mass of waste removed from site. However, the Group believes that this is an important issue and one that also has major cost implications. Accordingly alternative indicators are being considered.

Percentage of dwellings built fitted with low flush wc's



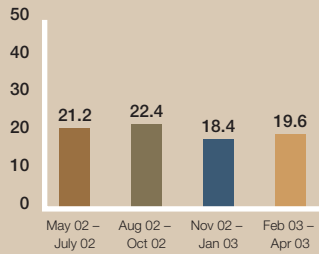
In the 2002/3 Sustainability Report the Group made a commitment to fit all new dwellings with low flush wc's and the results of this policy can be seen in the improved performance in the last two quarters of the year. However, further review of data received indicates that the interpretation of this KPI could be misunderstood by including dual flush wc's instead of low flush wc's. In light of this, the Key Performance Indicator will now be clarified and a different indicator proposed for 2003/4.

Carbon dioxide produced by all energy sources at fixed permanent sites by kg/m² (quarterly figure annualised)



This data covers only those buildings where the Company has direct control over utilities purchasing. The increased consumption in quarters 3 and 4 may be due to seasonal variations. The Group has improved its performance against this indicator by approximately 12% compared with 2001/2.

Water consumption (m³) at fixed permanent sites per employee (quarterly figure annualised)



This data covers only those buildings where the company has direct control over utilities purchasing. The Group has improved its performance against this indicator by approximately 9% compared with 2001/2.

Transport

The Berkeley Group is seeking to reduce car dependency by enhancing and improving access to public transport infrastructure around its developments, improving routes and facilities for cyclists and pedestrians and promoting car clubs.

Investing in public transport infrastructure

As part of the Clarence Dock development, the Berkeley Group is investing over £500,000 towards the construction of the Leeds Supertram. A further investment of £100,000 is being made in improving other public transport facilities in the area. At Imperial Wharf, St George has deposited £1.75m for a new railway station at the site.

Improving cycling and pedestrian routes

Berkeley Homes' Chelsea Bridge Wharf development, will provide public access to this part of the Thames riverside for the first time in 150 years. New pedestrian and cycle routes and a cantilevered bridge located beneath Chelsea Bridge are proposed which will connect the site to Battersea Park and provide access for pedestrians and cyclists.

Promoting car clubs

In order to encourage the use of public transport and reduce the need to own a car, St James Group's development at Deptford has established a car club in conjunction with Avis Urbigo. This, allows residents to hire a car at any time 24 hours a day for short periods.



Number of dwellings built on previously developed land as a percentage of total dwellings built.

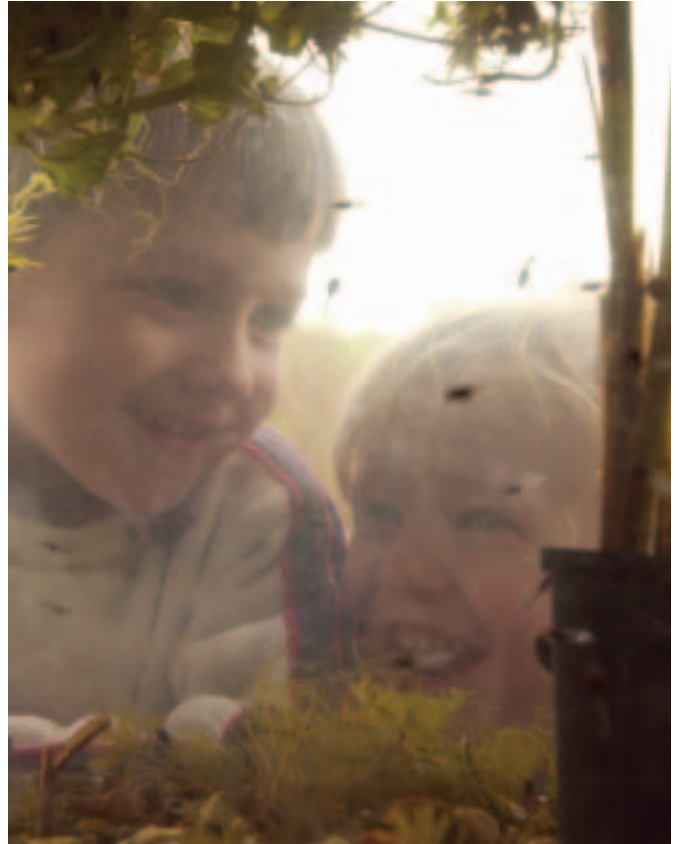
In the financial year 2002/3, over 90% of The Berkeley Group's dwellings were built on previously developed land, compared with the Government target of 60%.

Protecting the environment



◀ More than 30 different wetland habitats have been created at The London Wetland Centre.

▼ Educating future generations
The education programme at the London Wetland Centre caters for over 10,000 children per year.



The London Wetland Centre Barnes

Transforming a redundant site into a major new ecologically diverse habitat.

Berkeley's development of Barnes Waterside was unparalleled. It meant converting four concrete lined reservoirs to create a unique wetland habitat and education resource for future generations. It is an inspiring example of what can be achieved and flowed from Berkeley being permitted to build on a small part of a valuable piece of redundant land in partnership with Thames Water and the Wildfowl and Wetlands Trust (WWT), and use part of the revenue created for the wider benefit of the community and the natural world.

The Waterside has more than 30 different wetland habitats, being planted with over 300,000 aquatic plants and 30,000 trees. There are over 350 plant species on the site with 120 recognised wetlands species.

In addition to the contribution the wetlands have made to enhancing ecological diversity, the Peter Scott Visitor Centre at the heart of the development is itself becoming an important destination and source of income and employment in the local area.

The centre has 25 full-time and 20 part-time employees, with over 150 volunteers, looking after 200,000 visitors each year. The Wetlands Advisory Service has been inspired by the experience at Barnes and is now the leading specialist wetlands consultancy in the UK, passing all its profits back to the charity.

The London Wetland Centre adjacent to Barnes Waterside is a new ecologically diverse habitat and will contribute in perpetuity to the environmental education of future generations. The education programme means that over 10,000 children per year have the opportunity of visiting the wetlands and learning about the wide range of natural habitats it contains.



▲ Chippings from trees were made suitable for use in children's playgrounds and put to good use in County Durham schools.

Gosforth Newcastle

The Crosby Group is developing a ten-acre site which is within a conservation area. It will provide 184 residential units on the site of what was a redundant headquarters office building.

The site was badly contaminated in places, for example, in the former car park area, ash had percolated through the hard core, but due to the special decontamination techniques used, it was possible to retain 50% of this material for future use on the site. None of the buildings on the site were of special architectural interest and as part of the regeneration plan it was agreed that the main office areas should be demolished. Concrete and brick from the former office buildings were crushed and recycled on-site and to save on the use of fresh materials this was used in constructing the basements for the dwellings and for use under private drives and paths.

The use of recycled materials not only prevents the Company from having to extract new materials, but it also reduces pressure on the local transport infrastructure as the materials remain on-site and do not have to be taken away or delivered anew.

In keeping with the Group's approach to renewing the natural environment, Crosby Group also identified a number of trees that needed to be felled because they were unhealthy or diseased. These trees were cut up and the larger logs were taken to local landscaping contractors for use in landscaping work. The smaller branches were chipped and made suitable for use in children's playgrounds and were sent to schools in County Durham, where they have been put to good use. Bark chippings were also used on-site for landscaping.

All the remaining healthy trees on the site have been protected with special barriers to ensure they stay undamaged during the construction process.



◀ The Berkeley Group is a leader in the business of urban regeneration with over 90% of development taking place on brownfield land.

Chelsea Bridge Wharf London

The imaginative regeneration of challenging brownfield sites.

In the 1850s the site was a railway freight terminal used to connect London with the south coast. From the 1970s industrial decline left the area derelict and the land was reduced to being used for temporary parking. Berkeley acquired the site in 1999.

An extensive ground investigation was carried out and unsurprisingly, given its previous use, the site was heavily contaminated and extensive remediation works were undertaken. Beyond this challenge, a very sensitive approach to building design was required as the site is within a conservation area and very close to a number of listed buildings including Battersea Power Station.

When the development is completed, it will have transformed a derelict and contaminated site into:

- Over 650 residential units
- A 202 room hotel
- 90,000 sq. ft. of office space
- A 35,000 sq. ft. health club
- 30,000 sq. ft. of restaurants
- 8,500 sq. ft. of shops.

Creating new habitats that will enhance the natural environment and quality of life

The site benefits from a carefully designed mix of private and public landscaped areas, comprising water features, sculpture and landscape planting carefully selected to promote biodiversity and local wildlife.

The landscape has been designed to encourage bird habitation in accordance with a bird nesting and foraging strategy agreed with the local authority. The extensive landscape water features use 'clean' water through natural oxygenation. Wallings have been installed along the river wall to encourage habitation by invertebrates at low tide.

The riverside walk will open up this part of the Thames to the public for the first time in over 150 years and in total over four acres of public space will be created.

Energy efficiency

Extensive investigation and consultation has been undertaken to assist the design of energy efficient buildings and the environment.

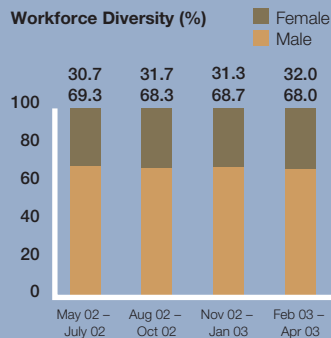
The orientation of buildings and façade design is intended to maximise the benefits of natural daylight and control heat loss. The acoustic glazing and cladding has been chosen for its energy efficiency and electrically powered whole-house ventilation systems that incorporate heat recovery, are being installed.

Affordable housing

The site also seeks to address the need for affordable housing which, in agreement with the London Borough of Wandsworth, will be delivered at the beginning of the project so that a mixed community will be developed from the outset. Of the number of residential units intended, a commitment has been given to maintain the proportion of affordable housing as the development is optimised.

Our workforce

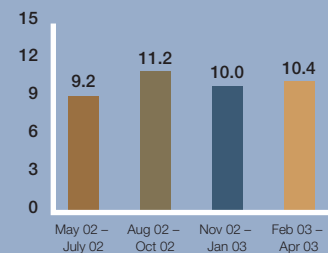
The Berkeley Group aims to protect the health and safety of all its employees, treat them fairly and with respect, help them develop their skills and reward them fairly for their contribution to the Company's success. Everyone who works for the Group has a crucial role to play in meeting its business objectives.



In the financial year 2002/03, an average of 69% of our employees were male and 31% were female.



RIDDOR Incident rate per 1,000 workers on all sites (quarterly figure annualised)



This indicator includes those sites where the Company is the principal contractor and those sites where the Company does not have primary management responsibility for health and safety e.g. some design and build etc. projects. The Berkeley Group is at the forefront of a national initiative to identify the housebuilding sector as a discreet sector for reporting of health and safety statistics.

These general commitments are implemented in a variety of developing ways:

- Berkeley ensures that all employees receive equal treatment including access to employment, training and opportunity for promotion. There is an equal opportunities policy across the Group and workforce diversity is monitored as part of this sustainability policy.
- Health and safety is the highest priority on all Berkeley sites. There is, of course, a comprehensive health and safety policy for the Group and all divisions have rigorous management systems in place to enforce compliance. Health and safety performance is reported to the main Board, which also requires its monitoring through a full suite of sustainability KPIs. All of our sub-contractors are expected to meet the same high standards of performance.
- Berkeley participates in a number of health and safety initiatives including the Health and Safety Executive's Working Well Together Campaign. The Company is also represented on the Housebuilders Federation Health and Safety Working Group and the Senior Safety Advisors Group.
- The shortage of skills within the construction industry is a major challenge for all Berkeley businesses and the Company plays its full part in the range of national initiatives underway to improve training and skills development. The case study on the CSCS project is a good example of this commitment.
- All Berkeley divisions have comprehensive induction training programmes and an ongoing commitment to provide professional and personal development opportunities. The Group as well as some of the divisions also have graduate and post-graduate training programmes in place.
- Berkeley encourages its employees to be active in the communities in which they work. The Company also supports a number of charitable initiatives at local and national levels. For example, the Richard House Children's Hospice, the first hospice for children in London, has received substantial support.



Number of employees participating in the Group's SAYE scheme.

At the 30 April 2003 there were 1,197 eligible employees, of which 389 were participating in the Group SAYE scheme.

Charitable donations

In the financial year 2002/3, The Berkeley Group made cash donations of over two hundred and eighty thousand pounds. Approximately 85% of this was donated at Group level, with the remainder being donated by the individual Divisions.

CSCS project

The Berkeley Group is committed to training.

This covers a range of professional development issues, one aspect of which is training to develop healthy and safe work practices on all our construction projects. This is exemplified in the Crosby Group's initiative known as 'Qualifying the Workforce', which has Health & Safety training and awareness at the heart of the learning required to achieve the recognised NVQ certification that successful completion brings. This is a cardholding scheme under the Construction Skills Certification Scheme (CSCS) that includes not only craftspeople and operatives at NVQ Levels 1 to 3, but also supervisors and managers at NVQ level 3 to 5.

Crosby believes that a 'Qualified Workforce' will help to reduce the level of injuries and incidents that occur annually within the industry and improve workmanship and quality standards. In turn this will lead to enabling a greater sense of confidence, pride and achievement in the skilled workforce.

Berkeley is delighted that, having satisfied the criteria of the joint awarding bodies of City and Guilds and Construction Industry Training Board, its Crosby Group has become an approved NVQ Assessment Centre.

Through its Health & Safety Management Team the Crosby Group has commenced an extensive training programme that will:

- Extend Health & Safety skills and knowledge across its construction activities
- Encourage Crosby's subcontractors to develop their own knowledge and skill base to realise certification of all their construction staff to this nationally recognised scheme
- Assure a qualified workforce through their attainment of NVQs, the basis of the CSCS
- Provide NVQ Assessors for specified sub-contractor trades and encourage sub-contractors to implement training schemes for their employees
- Seek to have all operatives on Crosby sites able to demonstrate by possession of the CSCS identification card, competence in their job through the training that the scheme provides.

▼ The Crosby Group's 'Qualifying the Workforce' initiative has health and safety training at its heart.





The St James Group Training Centre forms the focus for many of the training courses that employees undertake.



St James Group training centre

The St James Group Corporate Training Programme gives everyone in the Company the opportunity to expand their skills. This has a direct and positive effect on the Company as a whole by improving the performance and commitment of the workforce at all levels.

Over the last 12 months the Company's training programme has been reviewed and it now provides:

- A six-month modular Induction Programme
- Training and Development Needs Analysis
- Career Management Planner
- Training workshops
- Passport to Future Success
- Mentoring
- A dedicated Training Centre.

Quarterly Reviews of the Training Programme are provided to the Board of the Company. St James Group average cost per head for training in 2002/3 was £1,610 and it is budgeted for this to increase by 4.4% in 2003/4.

A comprehensive induction programme for new employees is the starting point of the St James training programme and new staff undertake this. Line managers are required to confirm that an individual has successfully completed their induction programme. A Training and Development Needs Questionnaire then prompts the production of an individual Career Management Planner.

Every month the Board of St James receives a full report that includes summary information on training, diversity, well-being and staff turnover.

To complement the formal programme of training each individual is invited to complete their 'Passport to Future Success'. A more personal and reflective process, this allows individuals to express and assess their career aspirations in addition to simply looking at the practicalities of the skills they need to undertake their everyday responsibilities. Each individual is encouraged by their line manager to develop an action plan and monitor their progress using their career management planner.

Targets 2003

The Berkeley Group Targets

- Continue our proactive dialogue with investors and retain our listing in the FTSE4Good.
- Maintain the Sustainability Working Group structure, including the continual review of our Key Performance Indicators.
- Further develop the sustainability section on the Group web site.
- Launch the Sustainability Intranet and continue to develop new guidance notes on sustainability issues.
- Further develop our programme of sustainability focused site visits.
- Continue to investigate the commercial feasibility of integrating renewable technologies into our developments.
- Complete the review of timber suppliers in respect of recognised certification schemes.
- Co-ordinate a review of the divisions' employee training and development programmes, including an investigation of appropriate Sustainability Indicators.
- Review the Environmental Impact Action Plan for the head office in Cobham and implement agreed programme for actions in 2003/4.
- Issue a Sustainability Report for the financial year 2003/4 and report on progress towards these targets.

The Berkeley Group Divisions

- Implement the Divisional Sustainability Strategies and report progress to the SWG each quarter.
- Review operational management systems to ensure that environmental issues are fully integrated.
- Continue to develop sustainability supply chain management programmes.
- Ensure that dwellings are fitted with fridge freezers, dishwashers and washing machines with energy efficiency ratings of B or above.
- Evaluate and, where practicable, implement change in standard specification to dual flush wc's.
- Pilot the BRE EcoHomes assessment methodology on one major project.
- Monitor waste production and recycling on sites where a formal waste management strategy is in place.
- Ensure that all major projects participate in the Considerate Constructors Scheme (where applicable) and aim to achieve a higher than satisfactory performance.
- Monitor the percentage of local labour employed on selected major projects.

Adviser's statement



Professor David Cadman
Chairman of Upstream

The Company is to be commended for the emphasis that it places upon the relationship between environmental, social and economic sustainability.

This report provides an encouraging account of The Berkeley Group's commitment to sustainability.

The Company has continued to put considerable effort into the development and implementation of its sustainability strategy and has reported on progress towards its targets for the first time. In general, good progress has been made and some challenging targets have been set for 2003/4. Having made a good start this year, the Company is now in a position to move towards a more detailed and quantifiable assessment of its progress towards management targets in next year's report.

The Berkeley Group has worked hard to develop its Sustainability Key Performance Indicators. We support their view that continuous review of these is required to ensure that data gathering and analysis is both robust and meaningful for the business.

This year's report is strengthened by the use of case studies, which demonstrate that good practice in sustainability is becoming embedded in day to day activities. It is important to ensure that, wherever possible, such good practice is implemented consistently across the Group's divisions.

Finally, the Company is to be commended for the emphasis that it places upon the relationship between environmental, social and economic sustainability. Once again, we look forward to its continued progress.

Professor David Cadman
Chairman
Upstream

Upstream is The Berkeley Group's principal adviser on issues related to corporate sustainability.

Feedback and contact information

If you would like to let us know what you think of this report or would like further information about our sustainability strategy, please contact:

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