



- **Substantial progress in second year of CSR programme**
- **Stakeholders**
 - UK shopping centres generate employment for an estimated 33,000 people
 - extensive consultation on new development proposals
 - major initiatives on security, local employment and community involvement
- **Environment**
 - 100 per cent of current development programme on brownfield land
 - initiatives under way to improve energy efficiency
 - targets now set for waste recycling
 - public transport initiatives in place
- **Workplace**
 - continuing excellent health and safety record
 - retention of staff over 74 per cent
 - female staff represent 39 per cent of total workforce
- **Community support**
 - 5,000 hours of staff time spent on local community activities
 - £490,000 community support provided by UK shopping centres
- **External recognition**
 - FTSE4Good
 - Business in the Environment
 - JSE Securities Exchange SRI Index
 - Morley Sustainable Investment
 - Storebrand SRI-Best in Class

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Front cover

Chairman, Donald Gordon, admiring "Tyne Wave" the 11 metre ceramic mural at MetroCentre with some of the children from Whickham Parochial School who worked on the project (see page 6)

Chief Executive's statement

Introduction

I am delighted to be able to report further substantial progress during the last 12 months, building on the culture of Corporate Social Responsibility ("CSR") which has been integral to our business for many years. We have achieved most of the objectives we set ourselves for 2004, which represented the second year of Liberty International's three year programme of formalising within our business and decision making processes the management of social, environmental and ethical issues, for the benefit of shareholders and other stakeholders.

Major Initiatives in 2004

Whilst CSR is practised throughout the organisation, we have focussed our major initiatives on our UK shopping centre business, representing some 80 per cent of our activities, where we believe we make a positive, direct and immediate impact on the lives of the local communities and the environments where we operate.

Our shopping centre management systems continue to be refined to enable CSR-related data to be centrally accessed. As a consequence, we are now more effectively monitoring waste and recycled tonnages, energy consumption, and community activities, and have taken further action to improve our retailer and shopper communication systems. We are now in a position to introduce targets and benchmark our UK shopping centres.

Liberty International's corporate policies, announced in our 2003 Report, have been implemented throughout the organisation as part of our continued commitment to promoting awareness of all business issues, including CSR, amongst our staff and employees.

External Recognition in 2004

During 2004, Liberty International's CSR credentials have been recognised by five organisations active in this area. In May, the JSE Securities Exchange South Africa included the company in its Socially Responsible Investment Index. Since September, we have been included in the FTSE4Good listing, the recognised ethical benchmark index, and, in November, the UK investing institution, Morley, confirmed our inclusion in the category of recommended investment for their sustainable funds. More recently we have also been recognised by Storebrand SRI. We believe these notable milestones acknowledge our commitment in this area.

Liberty International is now also a member of Business in The Community ("BiTC"), the UK's leading CSR non-government organisation. Our partnership with the UK Government body, Carbon Trust, on energy management, continues to flourish.

Regeneration Role of Development Programme

Our extensive development programme continues to focus on the regeneration of existing town and city sites utilising brownfield land. We continue to consult widely and comprehensively as part of these development plans to ensure that we select the best options to achieve financially viable and successful regeneration to the benefit of local communities.

Community Involvement

Each year, our UK shopping centres receive over 175 million customer visits, demonstrating the key role that these assets play in lifestyles in the UK. Indeed our UK shopping centres are a major focal point within their respective communities and we work hard to foster a strong bond between the two. Examples of this commitment are educational and artwork projects recently commissioned at MetroCentre which involved over 700 local schoolchildren and adults in conjunction with a local artist to create glazed tiled mosaic murals depicting the history and culture of Tyneside.

Plans and objectives for 2005

Our prime aim continues to be to deliver long-term shareholder value. We recognise that this requires a strong commitment to CSR issues. We are beginning to see tangible results emerging from our CSR programme, with benefits for all our stakeholders.

During 2005, we will be measuring our performance in waste and energy management, developing a community strategy which can be delivered locally by our UK shopping centres, establishing appropriate policies and standards with our key suppliers, and furthering the integration of CSR practices.

I hope that you will find our 2004 Report an informative account of our achievements and the challenges ahead.



David Fischel Chief Executive
February 2005



FTSE4Good

Profile

Scope of report

This report covers the entire group activity, both in the UK and the USA. As our third report, it covers activities for the year to 31 December 2004, although most of the shopping centre statistical information is for the 12 months to 30 September 2004. In compiling this report, we have informally applied best practice guidance, including that from the Global Reporting Initiative (GRI), Association of British Insurers (ABI), Department for the Environment, Food and Rural Affairs (DEFRA) and Business in the Community (BiTC) Corporate Responsibility Index.

This CSR Report contains information on the impact of CSR related issues on Liberty International and its various businesses, and should be read in conjunction with our 2004 Annual Report for information on how the company addresses corporate governance.

The Annual Report also includes information on the composition of the Board of Directors, the independence of its membership and other matters relating to the Combined Code.

Liberty International at a glance

Capital Shopping Centres (CSC), the UK's leading shopping centre business, and Capital & Counties (C&C) a commercial and retail property investment and development company, are both wholly-owned subsidiaries of Liberty International (LI). Key facets of the business are presented below.

Please see our 2004 Annual Report for further information on the group.

Highlights from 2004 Accounts

- £245.2 million operating profit including share of joint ventures
- £5.3 billion investment properties including share of joint ventures
- £3.2 billion shareholders' funds

Capital & Counties

Capital & Counties is our commercial property arm with a focus on office and retail properties in the UK and California. Our tenancies span a broad range of businesses from management consultancies and media businesses through to oil companies and foreign governments. Our retail holdings include prime shops in well-known London locations such as Covent Garden, Kensington, Piccadilly and Regent Street. One of Capital & Counties subsidiaries is Capital Enterprise Centres, the managed workspace provider mentioned on page 9.

Key facts about Capital & Counties:

- 6.2 million sq. ft. of commercial property
 - 44 per cent business space (by value)
 - 56 per cent retail (by value)
- 1,094 occupiers

Capital & Counties' properties by (value):

- Central London – 37 per cent
- Business space outside London – 18 per cent
- Retail outside London – 19 per cent
- USA – 26 per cent

Capital Shopping Centres

Capital Shopping Centres is the United Kingdom's leading shopping centre company. For over 30 years, we have specialised in regenerating redundant and derelict land to create high-quality regional shopping centres. Our shopping centres provide not only first-class shopping destinations but also a range of leisure, residential and social facilities designed to respond to the needs of each area.

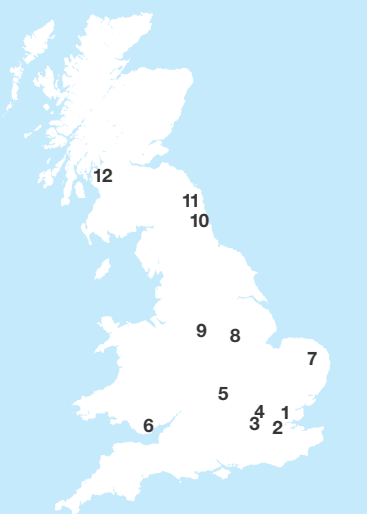
Key facts about CSC:

- Three out-of-town and six in-town shopping centres
- Six of the UK's top 18 centres
- Eight million sq. ft. of retail space
- UK's major retailers represented in our centres including John Lewis, House of Fraser, Debenhams, Marks & Spencer, Next, Bhs, Boots and WH Smith
- Total number of retail units: 1,443
- 175 million shopper visits per annum
- Catchment areas covering over one-third of the UK's population
- Development projects in Norwich, Cardiff and Oxford

Shopping centre locations

- 1 Lakeside, Thurrock
- 2 The Glades, Bromley
- 3 The Chimes, Uxbridge
- 4 The Harlequin, Watford
- 5 Westgate, Oxford*
- 6 St David's 2, Cardiff*
- 7 Chapelfield, Norwich*
- 8 Victoria Centre, Nottingham
- 9 The Potteries, Stoke-on-Trent
- 10 MetroCentre, Gateshead
- 11 Eldon Square, Newcastle upon Tyne
- 12 Braehead, Renfrew, Glasgow

*developments



Reception area at CPC1, Capital Park Cambridge, one of the modern office buildings built to complement the refurbished redundant hospital on the site which now also provides modern office accommodation.



The Harlequin Shopping Centre in Watford town centre attracts shoppers from a wide area.



Governance

During 2004 we have continued to develop best practice throughout the Group in line with the GRI. Our 2003 CSR Report was circulated to all relevant stakeholder groups and has served as a catalyst for follow up meetings with representatives of these groups (see page 6).

Through an annual review of best practice, including GRI and BiTC Corporate Responsibility Index, we have defined CSR risks and opportunities and these form the basis of the objectives set out on pages 4 and 5.

CSR Committee

David Fischel, Liberty International's Chief Executive, has taken over Board responsibility for CSR from Peter Badcock, who retired from the Board on 31 March 2004. Peter Badcock continues to chair the CSR Committee which comprises senior executives from both operating companies, CSC and C&C. Casella Stanger provide consultancy advice to the Committee.

During the year, Members of the CSR Committee have continued the programme of training through observing best practice, including two of HRH The Prince of Wales' "Seeing is Believing" Programme events involving the wider aspects of education and skills learning in the community. In addition, visits have been made to waste recycling and energy-from-waste plants to obtain a first hand knowledge of the issues. The Committee has attended seminars on the forthcoming OFR regulations and has also received in-house training from Casella Stanger on CSR related issues and best practice.

CSR Management Systems

We have further refined our management systems to provide consistent information on energy and water consumption, waste handling and community involvement at each of our UK shopping centres. Collated quarterly, this information provides the basis of targets on waste, which are being introduced from 2005, as referred to on page 12 of the report, and for various retailer and customer initiatives planned for 2005 and beyond.

In the light of the shopping centre CSR audits undertaken in 2003, action plans specific to each centre have been drawn up and are regularly monitored. We have put in place the first stages of an environmental management system to identify significant environmental impacts and to monitor performance improvement. This has been reviewed independently.

Corporate policies

Liberty International's Business Code of Practice, CSR and supporting policies were published in our 2003 Report and reviewed in 2004 in light of feedback. Our principal business guidelines, The Business Code of Practice and CSR Policy

are included in this report on page 16 and the remaining policies can be viewed on our website at www.liberty-international.co.uk. We have instigated an internal audit programme to measure the effectiveness and robustness of these policies to ensure their appropriate application and to foster best practice across the group. In 2005 we will finalise our procurement policy.

Industry benchmarks

We have been included for the first time in key CSR indices which are appropriate to our business and stakeholder base – Business in the Environment Index for Corporate Environmental Engagement where the Company was ranked 147th out of 176 companies, FTSE4Good, and the Johannesburg Stock Exchange Socially Responsible Index. Liberty International is now rated as a sustainable investment within the classifications published by the UK investment institution, Morley.

As a major FTSE 100 company, in 2005 we intend to enter the BiTC Corporate Responsibility Index.

Compliance

The Company has complied with all applicable legislation and has been subject to no sanctions or fines for environmental, health & safety or any other infringements.

Objectives

During 2005, we intend to complete the three year programme we set ourselves in 2002 and more detailed information on our progress is set out on pages 4 and 5.

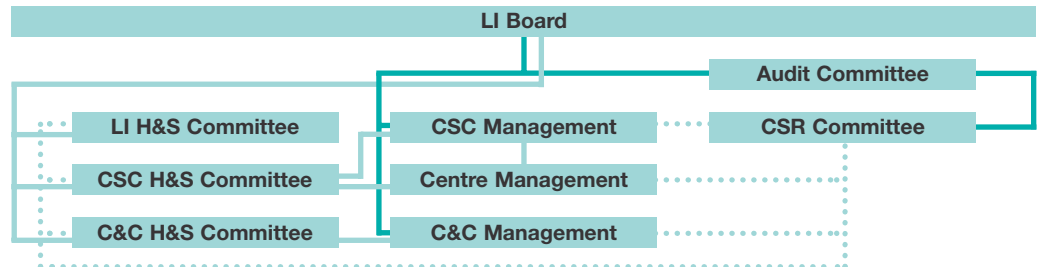
HRH The Prince of Wales' "Seeing is Believing Programme"

CSR Committee Chairman, Peter Badcock participated in two "Seeing is Believing" visits organised in conjunction with Business in the Community. The visits to three schools in the London area were designed to focus on how business can assist schools in helping individuals to become more aspirational and entrepreneurial and address underachievement in education, and lack of basic skills. Visits were made to schools with varying catchments, including deprived areas, and areas with a diverse ethnic population.

The group also saw a skills centre, offering vocational training in construction and other disciplines for the 14-19 age group. These visits demonstrated how basic education and vocational skills programmes can be successfully provided through partnerships of teaching staff, educational forums and local businesses. CSC is now exploring options with education and skills agencies with a view to creating a company wide education initiative.

CSR Governance and Relationships

- Key:
- Line Management
 - Health & Safety Reporting
 - CSR Reporting



Progress update

Governance

Objectives for 2003 – 2005

- To have a process in place to manage and monitor the progress of our CSR strategy

Progress in 2003 and 2004

- CSR Committee established, reporting to Audit Committee, supported by external advisors
- Business Code of Practice and formal policies – Environmental, Communication-Stakeholder Engagement, Community Relations, Occupiers, Shoppers and the Value of People. Procedures established to monitor these policies through management reporting and internal audit
- UK shopping centre audits undertaken to review best practice, opportunities and risks, and resultant action plans formulated
- Reporting systems set up in the shopping centres to formalise gathering of relevant information and data on a quarterly basis
- Register of relevant environmental legislation established for shopping centre management on dedicated website

Plans for 2005

- We will continue to develop the reporting systems and to monitor their effectiveness
- We will continue to review and monitor systems to improve performance and the reporting of information
- We will continue to monitor the implementation of the Business Code of Practice and associated policies
- We will review appropriate comparisons and benchmarks against which to judge our performance
- We will monitor progress of action plans at our shopping centres
- We will progress implementation of an Environmental Management System by reviewing outcomes and recommendations of an Environmental Management System review
- We will continue to develop the internal audit programme

Stakeholders

Objectives for 2003 – 2005

Communication and Stakeholder Engagement

- To involve and engage all our stakeholders in a constructive manner

Customers – Shoppers and Occupiers

- To sustain high standards of service that integrate CSR objectives

Community Involvement

- To continue to involve our communities and support their quality of life

Progress in 2003 and 2004

Communication and Stakeholder Engagement

- The CSR reports for 2002 and 2003 have been widely circulated to investors and major stakeholders (our partners, local authorities, our principal retailers and other stakeholders with whom we do business) and through our shopping centres to store managers and local stakeholders. We have held follow-up discussions to identify areas of mutual opportunity and co-operation

- Undertaken extensive community consultation as part of our development programme

Customers – Shoppers and Occupiers

- We have made progress with our programme to standardise our Retailer Handbooks
- We have undertaken a survey of principal retailers to benchmark our performance as a landlord and continued the dialogue to develop closer relationships to our mutual benefit
- A formalised retailer liaison programme has been established in the shopping centres to build on our relationships at all levels

Community involvement

- Reporting of community activity by the shopping centres has been formalised and proactive programmes of engagement continue to be developed
- We have maintained close relationships with the police and have established a dedicated police presence at three CSC shopping centres

Plans for 2005

Communication and Stakeholder Engagement

- We will formalise a communications strategy and continue to engage with stakeholders to identify and progress joint initiatives.

Customers – Shoppers and Occupiers

- We will continue the programme to standardise our Retailer Handbooks and include information on our corporate policies on the environment and other CSR related issues
- We will continue to develop our retailer liaison programme within the UK shopping centres

Community Involvement

- We will continue to develop our community programmes and identify opportunities to support the activities of local communities where we can add value
- We will continue to strengthen working relationships with the police and provide further on-site facilities as appropriate

Environment

Objectives for 2003 – 2005

Transport

- To further encourage sustainable transport options at all sites where we operate

Energy, Water and Waste

- To increase our energy efficiency and reduce the use of natural resources and the associated impacts

Sustainable Design and Development

- To ensure that the design and development of all our buildings integrates appropriate sustainable development considerations

Regeneration of Derelict and Brownfield sites

- To ensure the efficient use of land to support regeneration and economic growth

Procurement

- To work in partnership with suppliers of goods and services to understand and help implement CSR standards

Progress in 2003 and 2004

Transport

- New public transport interchange opened at MetroCentre
- Sustainable Travel Co-ordinator appointed at MetroCentre; now working with other shopping centres to develop public transport
- The development of transport plans at the UK shopping centres underway

Energy, Water and Waste

- We are implementing policies to ensure the efficient management of these resources
- Energy monitoring installed at all shopping centres facilitating greater understanding and control of energy use
- Relationship with Carbon Trust developed
- Improvement has been made in the amount of waste recycled by the UK Shopping Centres

Sustainable Design and Development

- Our design guides for office properties have been updated to reflect our environmental policy and guidelines
- We have communicated our environmental policy and guidelines to our consultants and contractors
- We have monitored the implementation of the environmental policy and guidelines
- Completed developments have been built to BREEAM standards where appropriate

Regeneration of Derelict and Brownfield sites

- All the current development programme is on brownfield land

Procurement

- We have engaged with key suppliers to ensure the integration of environmental performance into key supplier and contractor contracts
- We have initiated a programme of discussion with suppliers to assess their approach to environmental and other CSR related issues

Plans for 2005

Transport

- We will continue the implementation of travel plans

Energy, Water and Waste

- We will continue to implement policies to ensure the efficient management of these resources

- We will continue to strengthen our relationship with the Carbon Trust and identify further opportunities for energy saving and include energy audits

- We have introduced targets for the UK shopping centres for 2005 to achieve 34 per cent primary recycling at Centres overall

- We will continue to work with our retailers to facilitate increased recycling of waste

Sustainable Design and Development

- We will continue to work with our consultants to ensure that our buildings reflect best practice and are designed to BREEAM standards where appropriate

Regeneration of Derelict and Brownfield sites

- We will continue to ensure the efficient use of land to support regeneration and economic growth

Procurement

- We will develop our programme of supplier engagement and establish minimum standards of performance
- We will work with our suppliers to identify further opportunities

Workplace

Objectives for 2003 – 2005

Human Resources

- To provide appropriate benefits, personal development and working conditions for all employees

Health & Safety

- To continue to ensure a safe and healthy environment for all our employees, shoppers and occupiers

Progress in 2003 and 2004

Human Resources

- Our Business Code of Practice, The Value of People, the Whistleblowing, Equal Opportunities and other related policies, together with other CSR related issues, have been communicated to the staff through the induction process and through internal management meetings

Health & Safety

- We have completed an asbestos assessment for all our multi-let office buildings and at UK shopping centres and established management procedures where appropriate
- We believe all our properties to be DDA compliant

Plans for 2005

Human Resources

- We will continue to place the highest priority on the provision of appropriate benefits, personal development and working conditions for all our employees
- We will further develop our training programme

Health & Safety

- We will continue to regard the provision of a safe and healthy environment as a top priority
- We will continue our regular monitoring of health and safety issues through our Hascheck system

Stakeholders

During 2004, we have continued to debate issues of mutual interest with major stakeholders and to identify opportunities for working together on CSR related issues.

5,000 copies of our 2003 CSR report were circulated widely to shareholders and other stakeholders, including our employees, local authorities, consultants and our retailers, both to their head office and to their shop managers at our centres. We have included reference to relevant CSR related issues in our meetings with them. Copies are also available to shoppers at our Customer Services Desks.

We have sought to gain a clear understanding of our major shareholders' expectations and have discussed our approach to CSR where appropriate in our meetings with them. During the year, we have continued our programme of presentations to potential investors, bankers and other city organisations. Our Chief Executive and/or Finance Director have met with over 108 investor groups, 69 of whom were overseas. We have responded to their interest in the company's business and have arranged seven visits to our properties by investor and similar groups during the year. We have also met or responded to requests for meetings from groups with a special interest in CSR related issues and continue to welcome the opportunity to discuss our approach with them.

Working with our retailers

At our UK shopping centres, we have a continuing dialogue with our retailers at all levels to ensure we maintain the high levels of service expected of us.

We continue work on initiatives arising from the 2003 survey of retailers within our centres. Regular contacts are maintained with major retailers to discuss all matters of mutual interest. This has been successful as an efficient means of dealing centrally with strategic issues.

We have also successfully implemented procedures to deal more efficiently with retailers' shopfitting requirements and have introduced a protocol for strengthening the timetables within which our appointed consultants process plans. This enables retailers to deal more quickly with a critical phase of their business.

Communication is paramount in our relationship with retailers and all property and centre management staff are expected to develop a good working relationship with the retailers. A central contacts database is maintained and bi-annual newsletters are mailed to keep retailers and their agents informed of our activities.

Shareholder policies

Communication

Community

Shopper

Occupier

These policies are available on www.liberty-international.co.uk

Community art at MetroCentre



During 2004, two major community art projects have been completed at MetroCentre.

"Look Out" (above) is a work of art designed by local artist, Cate Watkinson, portraying the enjoyment of shopping. Clearly visible from the A1, it is a beacon on top of the new Debenhams department store and depicts an old fashioned shopping basket filled with shopping, represented by large spheres. To mark its inauguration, one of the spheres was made into a time capsule and filled with memorabilia selected from ideas contributed by shoppers, retailers, schoolchildren, local business people, our employees and members of the development team. "Look out" is constructed from stainless steel and was manufactured locally – enabling St. Aidan's local primary school to follow its progress as part of a school work project and to visit the factory to see it being made.

Gateshead ceramic artist, Christine Constant, was also

commissioned to produce three separate ceramic murals for the new Red Mall. Working over a period of two years, she carried out tile painting workshops in community centres, schools, Gateshead Visitor Centre, Saltwell Park and in MetroCentre itself, enabling all age groups to participate in the project and to bring their personal impressions of the region together. Christine used the ideas to create two panels and key elements included the bridges across the Tyne, the Angel of the North, and other local landmarks. Local schools used this project as a basis for wider learning as part of their curriculum. The third mural contains tiles designed by the team that built the new Red Mall – architects, builders, specialist consultants, and local and head office staff.

The final panels (see below and on front cover) are a tremendous success, a new focal point for the centre reflecting the enthusiasm of over 700 people of all ages who have taken part.



Our shoppers

Our shoppers are vital to our centres. We have maintained our success by pursuing a continuing programme of research through surveys and focus groups in each centre every year. The resulting information enables us to provide our shoppers both with the appropriate retail mix to meet their requirements, and a range of facilities and services, such as accessibility, transport options and in-mall amenities, that make our centres their first choice.

Our staff are always ready to talk to customers and listen to their comments and formal feedback forms are available in each centre. We use the information to respond to customer needs and make changes where necessary.

We have now completed the introduction of a mall non-smoking policy in all our shopping centres, and this has been widely welcomed by shoppers. Our action has also been acknowledged in the wider community and Braehead has been included in the Government sponsored Glasgow Clean Air Guide to the City.

Community involvement

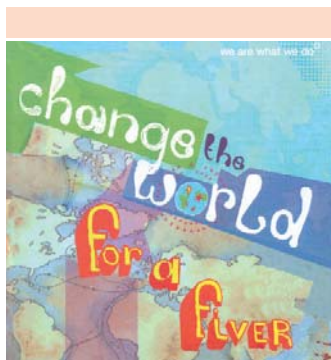
We have long recognised that our shopping centres play a pivotal role in their local area and are in themselves a catalyst for long-term economic benefit in the communities they serve. Our approach is to develop close relations with these local communities and it is a key responsibility of our centre managers to work with their community, involving local stakeholders in identifying ways in which we can make a positive contribution to local life.

This year, through our membership of BiTC, we have worked on the launch of "We are what we do", a national charity initiative to encourage the conservation of resources and a better way of life. MetroCentre hosted their roadshow on its first exhibition outside London, and all centres distributed publicity material. During 2005, the exhibition will visit some of our other centres.

We have improved the system for recording our community involvement at our centres. In 2004, our centre management teams devoted some 5,000 hours to work in their respective communities. Their contribution covered a wide range of local activities, focussing on work with schools and community groups. We continue to contribute both time and resources to support town centre management.

We work with local police, local authorities, our retailers and customers on a variety of schemes designed to prevent, deter or detect crime. We have continued our partnership with Crimestoppers and following a successful awareness campaign at the Victoria Centre, Nottingham in 2004, we will provide mall space at each of our centres to further promote awareness in 2005.

The "We are what we do" campaign published a book "Change the World for a Fiver" containing 50 suggestions for small initiatives, which if adopted by many people, would make a considerable difference. This book was widely available in bookshops throughout the country and achieved impressive sales in the Christmas period.



Education



Support for learning is an area where our shopping centres can make a significant contribution to the local community. Our teams develop relationships with local schools and colleges and respond to the specific needs identified.

We welcome visits from children of all ages and provide information to support the completion of Key Stage projects. Our staff visit schools to help students learn about business. We are developing our programme of work experience and have provided placements at head office and in the centres. Here are a few examples of our activities.

The Harlequin worked with a local college under the Government's STEP programme to provide an opportunity for student Dhruv Patel. His project entailed assisting in the completion of an enhanced database system used by the centre management team. The new system reduces paperwork, automates the logging and processing of maintenance jobs and speeds up administration. Dhruv gathered and input information and helped to train staff. By working with Dhruv, we achieved our business objective whilst supporting the development of his skills. Dhruv commented "Unlike many of my friends whose placement involved boring tasks, I was given a high degree of responsibility and also improved my communication skills." Dhruv won Most Enterprising Student Award (Hertfordshire) for his achievements at The Harlequin.

Lakeside continues to work closely with Thurrock and

Basildon College to make training and development more accessible to the public. A shop unit is provided rent free for a training centre which focusses on National Vocational Qualifications (NVQs) in Customer Service, Retail, Team Leading, Catering and much more for the retail employees at Lakeside. It is also open to the general public, offering a wide range of IT programmes at flexible times, plus a range of short courses such as First Aid, Basic Food Hygiene, Skills for Life and Management Training.

The Braehead Employment Partnership is a joint initiative between Braehead, Scottish Enterprise Renfrewshire, Reid Kerr College Paisley, James Watt College Greenock, Renfrewshire Council, Paisley Partnership, Jobcentre Plus and Careers Scotland. The Partnership provides a six-week training programme to help people develop the skills needed to work in the retail industry.

As part of this, Braehead has provided a modern apprenticeship for Paul Webster (pictured above). The nature of a shopping centre business enables Braehead to provide practical experience in a wide range of skills. Paul works in a cycle of several weeks at college learning the theory, followed by a similar amount of time working with Braehead's technical services department. When his apprenticeship is completed, Paul will be qualified to work in a range of areas including gas plant, refrigeration equipment, electrical installation and maintenance, general plumbing and welding.

Our shopping centres are continuing to develop their working relationships with the police. Braehead, Lakeside, and MetroCentre now have a permanent, dedicated police presence and they have been provided with their own office accommodation. The Glades resources include the newly formed Police Community Support Officers (PCSOs), and other centres are planning to work with them during 2005.

We are also happy to support the work of local charities in a number of ways. We facilitated 325 cash collections in the malls, raising an estimated £200,000 and we distributed to local charities some £67,000 donated by the public through fountains and at Christmas grottos. In the UK, we have also provided the equivalent of some £490,000 in community support including sponsorship of local causes, support for Town Centre Management and provision of free mall space and services where appropriate.

Liberty International made donations of £111,750 to charitable causes in 2004, nearly £67,100 of which was made through the UK shopping centres to their local charities.

Community activity in the USA



Our operation in the USA also has an active community programme, both in the shopping centres and major office properties. Property managers are encouraged to maintain positive personal interaction with city officials and staff in their local municipality and play an active role in their local Chambers of Commerce.

The Willows Shopping Centre provides a non-profit and well respected professional theatre group with rent free space to stage their performances. The Willows also hosted a free weekly film show in July where movies were shown on an outside screen and donations were collected for charity.

Serramonte Center hosts a WalkAbout mall walkers programme (above) in partnership with a local

hospital and other community organisations. A specially designed programme for people over 55 operates twice a week and there are currently over 250 regular participants. The programme offers instruction led warm-ups and cool-downs before and after a walk through the mall (about 1.5 miles) before the centre opens for trading. Special discussions groups deal with relevant issues such as heart, diabetes and cholesterol.

The office management staff also interact with the community. Pacific Financial Center for instance, participated in the Annual Toy and Food Drive during the holiday season and our San Francisco office supports a local toy collection programme by providing a collection point for tenants in their building.

Public consultation



We recognise that although property regeneration brings considerable economic and other benefits to an area, it is vitally important to listen and respond to the views of the local community during the evolution of our proposals. During 2004, we have undertaken wide-ranging consultation exercises in connection with major schemes proposed in London and Oxford.

In Oxford, we are working on proposals for the partial redevelopment and extension of the Westgate Shopping Centre. The first stage was for our architects to draft proposals covering our approach and concepts for the new scheme. Through independently moderated focus groups, these proposals were discussed with representatives of local stakeholders and with a representative sample of the public. The proposals were also discussed with local special interest groups, transport operators and the Oxford City and County Councils. Using the feedback from this initial consultation, our architects drew up a Draft Masterplan document.

This Draft Masterplan was the subject of further consultation. It was presented

to Councillors, special interest groups and others who had expressed interest during the initial consultation. We sought input from the general public through a mall exhibition, and made available key members of our team to answer specific questions. The Draft Masterplan was published on the website and a newsletter was sent to some 90,000 homes, seeking comment through a freepost response form. The feedback from this second process was used to refine the Masterplan before submission to the City Council for endorsement.

Once submitted, both Oxford City Council and ourselves undertook further consultation.

Although the City has endorsed the Masterplan we are now responding to the consultation by producing an "addendum" to the Masterplan before proceeding with the detailed design. We have also set up a Transport Working Group with the City and County Councils and local bus operators to further research transport issues and as part of this, have commissioned bus counts in the local area (photo above).

5,000 hrs
of community involvement

£490,000
community support donated
by UK shopping centres

£111,750
group charitable donations

Procurement

Our suppliers range from those providing goods and services to our existing property portfolio and management offices, to goods and services provided in respect of development projects. Where possible we use suppliers local to our operations and our policy is to pay suppliers within the contractual terms of settlement.

Development projects

Our Environmental Policy supported by Environmental Guidelines forms a key constituent of the design and management of our development projects. These projects are large in scale; for example, during 2004 we completed an extension at MetroCentre and a total refurbishment of Lakeside and in 2005 Chapelfield, Norwich will be completed by Lend Lease on our behalf. Such schemes are several years in planning and execution, and it is fundamental to our approach that at all stages, designers and contractors are contractually obliged to adhere to best practice and to design to the relevant BREEAM standard where appropriate.

Due to the character and complexity of our major projects, we provide a document known as Environmental Statement to accompany any application for planning consent as legally required. Such statements cover the full range of requirements laid down in the Environmental Impact Assessment Regulations plus a detailed assessment of the likely construction impact. In addition, Environmental Performance Statements, Energy Statements and Access Statements are prepared where necessary.

UK Shopping Centres

We continue to work with key suppliers on a programme we commenced in 2003. We have reviewed our records and identified the major suppliers to each shopping centre. We have then undertaken an analysis of the goods and services provided to us. Meetings are underway with selected key suppliers on a one-to-one basis, designed to:

- Ensure that products and materials used are not detrimental to the environment, as laid down by industry standards.
- Identify physical or management processes to reduce CSR impacts e.g. cleaning shopping centre malls during daylight hours to reduce energy consumption.
- Ensure that employment policies of suppliers are compatible with best practice.
- Identify potential for shared participation in community initiatives.

Whilst this process is continual, following the completion of meetings in 2005, we will introduce a Procurement Policy which will set appropriate standards for our supply contracts. It is intended that this Policy will form an integral part of our contract tendering procedures.

Capital Enterprise Centres



In 2001, responding to the national interest in encouraging the growth of small businesses, Capital & Counties formed a joint venture, Capital Enterprises Centres ("CEC"), with the objective of providing workspace on flexible and affordable terms for small and start-up businesses. It now provides offices, studios and workshops accommodation for some 250 companies in four business centres in the South East. Meeting rooms and support services are also available as and when required. CEC's on-site management team seeks to create a partnership with occupiers by understanding their business and responding promptly to their needs and concerns in a constructive and sympathetic way. Encouraged by this strong demand, CEC is planning further business centres initially throughout the South East.

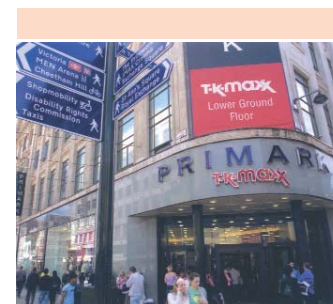
Some 90% of UK companies are small businesses employing 10 people or less; they form the backbone of commercial life in towns throughout the country.

CEC has devised a method for meeting their requirements with a formula that has appealed to a wide variety of businesses. Occupancy is regulated by a simple single page document that carries the Plain English Campaign crystal mark. It gives occupiers the flexibility to leave on 28 days' notice at any time; no-one is asked for a long-term commitment. If a business fails there is no residual liability. If it succeeds, and the vast majority do, it is a simple matter to upgrade to a larger unit in the same scheme. One such business is "Petals" (pictured above) founded by Sarah Russell at Greenway Business Centre, Harlow, where she produces biodegradable confetti made from dried flowers.

The refurbished mall at Lakeside where we consulted with our shoppers before finalising our plans



The Primark store in Fountain Street, Manchester, is a focal point of city centre shopping



Environment

We have always been committed to a responsible and forward-looking approach to environmental issues and this has been reflected in the company's continuing success in the UK property industry. We have long recognised the mutual benefits of taking into account any impact on the environment caused by our operations and have sought to include sustainable elements in all our proposals and policies.

The Environmental Policy statement has been highlighted in discussions with our stakeholders and in particular, with our contractors and suppliers. The Environmental Guide, which provides an operational check list for our team, consultants and contractors, has been widely circulated and been formally incorporated in our project approval process to ensure that best practice is considered at the design stage of new projects. It is however important to understand that we are primarily an investment and management company, and the development programme represents only one element of the business. With the recent completion of the new Red Mall at MetroCentre and the Lakeside refurbishment, the only major construction project underway at the present time is Chapelfield, Norwich currently being developed by Lend Lease, on our behalf.

Regeneration and Brownfield sites

100 per cent of our current proposed development programme is on brownfield land. This remains integral to the way we do business and create value. The regeneration of brownfield land acts as a catalyst for reviving the economic vitality of the area, with consequential benefits for employment and local facilities – for example, a public park and riverside walkway are being created as part of the ongoing regeneration of Braehead and will open to the public in summer 2005.

The table below demonstrates that the UK shopping centre portfolio has been created entirely from brownfield land, and that our planned development programme continues this practice, both for the shopping centre and office portfolios.

Property Audits

Following the completion of the shopping centre CSR audits in 2003, a plan specific to each centre has been produced to address the issues and opportunities identified. CSR related issues are a permanent agenda item at centre management meetings. During 2004, the CSR Committee visited each centre to meet with the management team, review their action plans and discuss progress. A further review took place at the end of the year.

Steady progress has been made on initiatives that were highlighted in last year's report; some are covered elsewhere in this report – retailer communication and handbooks on page 6, procurement on page 9 and transportation on page 13. All centres now have a formal system to measure the amounts of waste they handle – see page 12 for more information. Quarterly reporting to the CSR Committee of key indicators has been implemented and has been used to provide the statistics in this report. Internal audits are carried out on a sample basis, and reported to the Audit Committee.

We have continued with our rolling programme of environmental audits across the non-shopping centre portfolio. The majority of the properties have now been audited and it is our intention to complete this exercise during 2005.

Energy efficiency

We continue to work on our programme of reviewing our properties to identify opportunities to improve energy efficiencies through proactive management, and energy conservation is now an integral part of our employee induction programme. The ability of our organisation to reduce energy consumption is very much dependent upon external climatic factors. With our energy management system in place we are confident that the impact will be minimised through the efficiencies of operation.

Relevant policy

Environmental

This policy is available at www.liberty-international.co.uk

Regeneration of Derelict and Brownfield Sites

Shopping centres (open)

	Lakeside	MetroCentre	Braehead	The Harlequin	The Glades	The Chimes	Eldon Square	Victoria Centre	The Potteries
Year opened	1990	1986	1999	1992	1991	2001	1976	1972	1988
Pre-development land use	Redundant quarry	Redundant power station	Redundant industrial area	Derelict and underused town centre sites	Derelict and underused town centre sites	Derelict and underused town centre sites	Derelict and underused city centre sites	Closed railway station	Derelict and underused town centre site

Development programme

Shopping centres

Offices

	Chapelfield (Norwich)	St David's 2 (Cardiff)	Westgate (Oxford)	Eldon Square (Newcastle)	Capital Park (Cambridge)	190, Strand (London WC2)	King's Reach Southwark (London SE1)
Proposed year of completion	2005	2009	2009				
Pre-development land use	Regeneration of disused chocolate factory	Regeneration of city centre site	Regeneration of city centre site and old car park	Partial redevelopment of city centre site	Ongoing redevelopment following conversion of redundant hospital	Redevelopment of city centre site	Redevelopment and partial refurbishment of city centre site

Energy saving at The Glades



The Glades Shopping Centre set a target of reducing energy consumption by 10 per cent in 2004. Using the half-hour energy monitoring system, they have been able to evaluate the impact of changing the timing and level settings of lighting and plant to achieve optimum conditions. The switching regime has been altered to reflect the occupancy of the building. Overnight lighting programmes

have been fine tuned to take into account zone cleaning. During the day, the system has now been reprogrammed to take account of the external environment, resulting in upper mall lighting being switched off on occasions. Lower mall lighting has been assessed and reduced.

The result of these initiatives was an energy saving of some 17 per cent.

During 2004, the Carbon Trust continued to assist us in identifying and implementing the most appropriate measures to improve energy efficiency at all our UK shopping centres. Following a comprehensive review, we have now introduced the monitoring of energy usage every half hour on all centre supplies of over 100kWh. As a result, further opportunities to achieve efficiencies have been identified and have been implemented across the UK shopping centre portfolio.

We are continuing to work with the Carbon Trust and are proceeding to the next stage, a Carbon Management Study, on a co-funded basis. We have appointed a consultant to identify the key drivers for carbon management within our UK shopping centre portfolio and assess the benefits of implementing carbon management within the organisation. The study will identify operational opportunities focussed on, but not exclusive to, energy management measures. They expect their report to be available in mid 2005.

We are pleased that, on a like for like basis, we achieved a 1 per cent overall saving in energy consumption for 2004 compared with 2003. As a result of further analysis, we have restated last year's figures to put them on a like-for-like basis with those being reported for 2004. During 2005, we expect to benefit further from the initiatives we have set in place.

We have continued to examine the practicality of normalising the data in order to compare individual centres; this remains extremely difficult to achieve reliably due to variations such as age, footprint, construction, and amenities. We will continue to review our options but for the time being, we intend to continue our monitoring on a centre by centre basis.

During this year, systems have been formalised at our UK commercial properties for the collection of energy-use data where we control the supply, generally in the common parts of multi-let office premises. In 2004, energy consumption amounted to 29m kWh (equivalent to 8,471 tonnes of CO₂) and water consumption was 64,900m³. Measures to improve energy efficiency continue to be reviewed and implemented as opportunities arise.

Carbon Trust



The Carbon Trust, presents their Smart Companies artwork at Lakeside, to mark our commitment to reducing carbon emissions.

Pictured (l to r) Mike Pearse, General Manager, Lakeside, Peter Badcock, Chairman CSR Committee, Dr Garry Felgate, Director, The Carbon Trust, David Greenhalgh, Group Operations Manager, CSC.

Water

We have made significant progress in clearing administrative issues with water suppliers to four of our shopping centres and during 2004 data from an additional four centres has been included in the figures as and when it became available. Reliable full year data will be provided for 2005. We continue to take opportunities to reduce water consumption whenever possible and where new or refurbished toilets have been provided, we have introduced water saving measures such as measured flow water fittings and dual control flush on toilets.

Electricity and gas consumption

104 million kWh
39,377m tonnes of CO₂
 (105m kWh 40,237 tonnes of CO₂ – 2003)
 – for nine UK shopping centres

Water consumption

253,500m³ – for nine shopping centres
 (130,000m³ – 2003) – for five shopping centres

Waste

A significant majority of the 15,000 tonnes of waste handled by our UK shopping centres is generated by our retailers and shoppers. Whilst we do not have any direct control over the generation of this waste, we seek to influence attitudes towards its disposal. Our corporate aim is to increase the proportion of waste that is recycled and therefore to reduce the amount sent to landfill.

In 2004, the amount of waste segregated for recycling by our UK shopping centres increased by 2 per cent but this was offset by a reduction in the amount recycled off-site, resulting in a net increase of recycled waste of 1 per cent. In some centres, we were able to widen the scope of products we segregate for recycling to include wooden pallets, retailer fixtures and fittings, fluorescent tubes and metal. Those of our centres that were able to introduce new practices quickly and deliver almost a full year's benefit achieved notable results: The Glades recycled 43 per cent of all waste handled and at The Potteries, a 144 per cent increase in waste recycled was recorded. These encouraging results however have limited effect on our overall figures because the two centres handle a relatively small proportion of our total waste. We were however unable to reduce the overall proportion sent to landfill, which increased by 1 per cent. Our largest centres, Lakeside and MetroCentre (which jointly account for nearly half our waste) experienced temporary factors that delayed the introduction of new practices, and the other five centres did not benefit from a full year's effect from the new practices.

During 2004, we carried out a complete review of how waste is managed at each of our nine UK shopping centres. The review included visits by members of the CSR Committee and other senior staff to waste recycling and incineration for energy (energy from waste "EFW") sites in order to assess their environmental performance. We are putting in place additional waste segregation facilities in our centres and would prefer to dispose of residual waste through EFW and thus reduce the amount sent to landfill. We are however constrained by the facilities available to us. For example, we discovered that some EFW plants are at full capacity and unable to take our waste; elsewhere the nearest EFW plant is too far away to offer an environmentally sound solution. The map below illustrates some of the geographic issues. Where centres cannot benefit from an EFW solution, we are working to seek the most environmentally sound solution.

As part of our ongoing commitment to reducing waste going to landfill, we have introduced an overall target for all our UK shopping centre portfolio for 2005. Our aim is to increase the amount segregated for recycling at the centres to 34 per cent (from the current 19 per cent) of the total waste handled. In the longer term, we shall use EFW plants where possible and we would expect to reduce landfill waste to less than 5 per cent of the total at such locations.

Waste handled
15,000 tonnes
 (15,000 – 2003)

19%
 recycled
 (18% – 2003)

43%
 incinerated for energy
 (41% – 2003)

2%
 incinerated (6% – 2003)

36%
 sent to landfill (35% – 2003)
 – in nine UK shopping centres

Recycling at The Potteries



During 2004, the UK shopping centres have focussed on ways of improving the recycling of the waste they handle on behalf of the retailers.

The Potteries Shopping Centre has shown the largest increase in the amount of waste recycled – some 144 per cent.

In order to educate and encourage retail and centre staff to segregate waste for recycling, a new defined waste management area was established within the centre's service yard. Separate bin store areas were closed down so that all waste segregation is controlled in one place. Easily accessible and clearly signed, the area contains segregation areas for: general

waste, cardboard, fluorescent tubes, batteries, metal, paint tins, ensuring compliance with ongoing changes in special waste regulations.

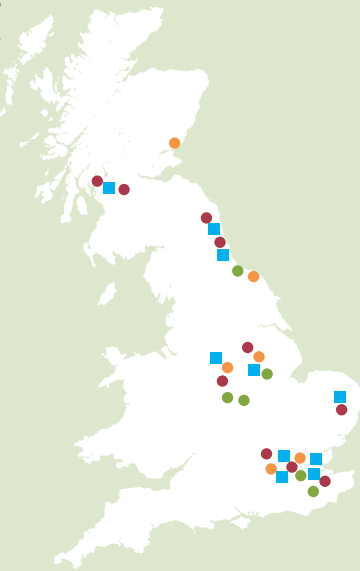
Through the commitment and enthusiasm of our retailers, staff and cleaning contractor, an increase of 126 per cent has been achieved in cardboard recycled over the year and the amount of waste sent to landfill reduced by 16 per cent. 14 tonnes of metal have been recycled in the first six months of operation.

Retailers and staff are kept up-to-date with the progress of the recycling project through notice boards and newsletters distributed throughout the centre.

Waste disposal locations

The map shows the nearest landfill, incinerator and energy from waste plants ("EFW") relative to our UK shopping centre locations. At present, EFW is not available to all centres either due to distance or a lack of capacity at the local EFW plant.

- CSC Shopping Centres
- Landfill site
- Incinerator
- Energy from Waste plant



Transport

The provision of a comprehensive range of travel options is a key element of our approach at all our major properties. In the planning of new schemes, we work with the local transport operators, local authorities and the Government to identify opportunities to introduce improved public transport facilities.

We recognise that we can only influence the travel choice of the shoppers and retail staff at our centres. However, our

appointed Sustainable Travel Co-ordinator at MetroCentre is working to understand travel patterns and to use this information to encourage bus operators to provide an improved service in response to the demand identified – see below. The experience gained here is now being passed on to other centres and includes the production of a Travel Plan for the Chapelfield development in Norwich due to open in Autumn 2005.

Sustainable travel



2004 has been a significant year for MetroCentre with the opening of the new Red Mall extension and modern Public Transport Interchange (above right). During the development period, our Sustainable Travel Co-ordinator has been working to encourage the use of public transport and other means of non-car access. We have carried out an Employee Travel Survey which indicated that more than 50 per cent of retail staff travel by public transport. A Travel Plan has been introduced, backed up by a number of travel initiatives.

The Transport Interchange has been designed to provide easy and comfortable access to buses with mall quality waiting areas and glazed doors which open on arrival of a bus. Comprehensive information is provided by electronic display, posters and leaflets and MetroCentre's own public transport guide has been updated and circulated widely throughout the region. To encourage easy access, a circular bus service (above left) has been introduced, linking all mall entrances and the adjoining retail park. Working with the bus companies, we have achieved

a 15 per cent increase in the number of buses visiting the centre, including early and late buses for staff and an improved Boxing Day service.

During the construction phase, the number of shoppers not using cars dropped to less than 20 per cent. Following the opening of the new Transport Interchange the number of shoppers not using cars began to return to pre-construction levels, reaching 23 per cent by December, and continuing to grow.

Facilities for cycle users have been greatly improved with the installation of 100 covered

cycle stands monitored by CCTV and the provision of lockers and showers for staff use. We have also completed a cycling and walking route around the Centre with links to local and national cycle routes.

As part of the works, considerable infrastructure works have been undertaken including the improvement of the A1 junction and a dedicated bus access bridge, designed to separate buses from other traffic, and to support the new fast Centrelink service to Gateshead (commencing in 2005).

Transport links to our UK shopping centres

	Lakeside	MetroCentre	Braehead	The Harlequin	The Glades	The Chimes	Eldon Square	Victoria Centre	The Potteries
Shoppers not using cars***	10%	23%	18%	18%	59%	43%	72%	55%	27%
Bus station	✓	✓	✓				✓	✓	
Bus stops				✓	✓	✓	✓	✓	✓
Number of buses per year*	109,976	330,500	217,927	192,000	268,753	261,144	215,152	335,274	157,132
Coach park	✓	✓	✓						
Coach visits per year	971	4,844	638					51	102
Railway within 10 mins walk	on site	on site		✓	✓	✓	✓	✓	
Number of trains per year*	26,761	32,760		10,600	94,642	63,414	167,580	80,900	
Taxi rank	✓	Freephone	✓	✓	✓	✓	✓	✓	✓
Cycle parking	✓	✓	✓	✓	✓	✓	✓	✓	✓
Other transport			river bus						
Car visits per year**	8,023,837	6,963,199	n/a	3,137,123	1,531,186	1,659,945	739,482	1,454,120	981,198

*Estimate **Centre car parks ***Figures from customer surveys n/a Figures not available

The Value of People

Workplace

Our employees are central to the success of our business and the delivery of a high quality service for our shoppers and occupiers. We have a comprehensive set of policies that embody our approach to our employees and establish the framework for the high standards of behaviour and values that we expect. The development and implementation of these policies is overseen by our Chief Executive.

The overarching policy, our Business Code of Practice, sets out our approach to ethics. The Value of People policy brings together our key objectives for our employees and how we aim to implement them, and the human resources sub-policies address particular issues. These are listed below.

Throughout the group, team working and employee involvement are actively encouraged. We believe that full participation of all levels provides our employees with a better understanding of our business culture and strategy. This is essential to achieve our objectives, to attract and retain excellent employees, recognise their value to the business and enable their personal development.

We operate a non-discriminatory employment policy, and full and fair consideration is given to every application for employment from all parts of society. We recruit the best person for a vacancy from the rich diversity of our local communities.

To ensure that we recruit and retain the right employees to deliver the required business outcomes, we provide a range of benefits, including life insurance, pension benefits and bonuses.

We support our employees personal development – for example, through external activities, and this year received a Sabre Certificate in recognition of our support of the Reserves of the Armed Forces.

An induction process ensures that new staff are provided with an appropriate and comprehensive understanding of the aims and objectives of our business and the importance we place on business ethics, health and safety and customer service. Induction folders and Employee Handbooks are issued as appropriate to all staff to provide comprehensive information on our procedures.

During 2004, we have incorporated the discussion of CSR related issues into our induction process for management staff and an additional training module is being introduced at all shopping centres to provide a consistent overview of these issues.

Training

During 2004, we have continued our programme of ensuring that our employees have up-to-date training, based on needs identified between employees and their managers during an annual employee review. This year, some 1,137 training days were provided, covering a wide range of subjects. We support the development of our employees, for example through external management courses ranging from people management skills for newly promoted supervisors to senior management courses at Templeton College. We ensure that employees are equipped to efficiently fulfill their role with a comprehensive range of courses covering topics such as first aid, handling discipline and grievance effectively, anti-discrimination training, presentation skills, conducting effective appraisals, IT skills and managing an effective meeting.

787
Total number of employees

79%
Full-time

15%
Part-time

6%
Casual

5
Number of grievances

1
Number of whistleblowers

Pension scheme membership

82%
of management

62%
of eligible employees

Employee retention

97%
of management

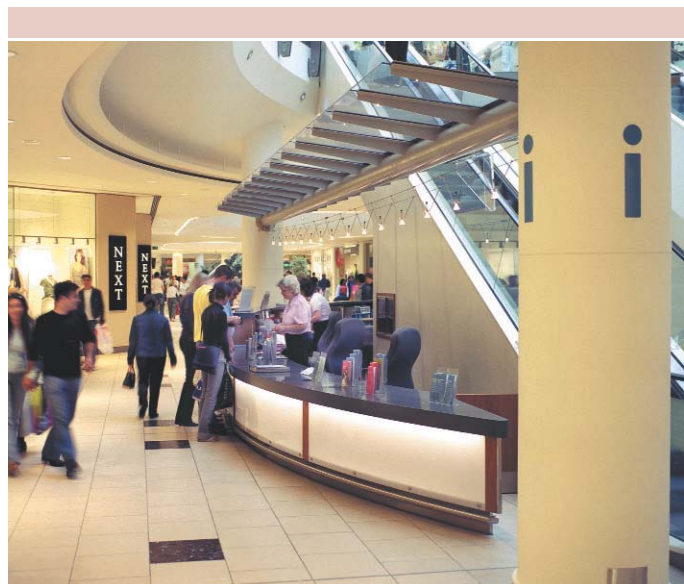
74%
of all employees

Female employees

31%
of management

39%
of all employees

Customer Service desks, such as the new facility at Lakeside, provide a wide range of services as well as information on all aspects of the centre.



Related policies

Business Code of Practice (see page 16)

The Value of People

Employment sub-policies

Adoption Leave	Information Systems Acceptable Use
Data Protection	Parental Leave
Discipline and Capability, Grievance and Dismissal	Paternity Leave
Equal Opportunities	Time off for Dependants
Gifts	Whistleblowing
	Working Time

Health & Safety

Liberty International places the highest importance on the Health and Safety ("H&S") of its employees, occupiers and the shoppers. We are committed to delivering high standards across all aspects of our operations.

Our H&S policy is overseen by the Board and implemented through a H&S management system which promotes a strong culture of safety consciousness across the organisation. The structure is summarised on page 3. Each H&S Committee is chaired by an Executive Director, with representatives from all levels of the business. The role of the Committee is to review new legislation, oversee H&S progress and review a full accident report. Additionally, each shopping centre has its own H&S Forum.

Performance

As a minimum, we comply with all relevant legislation and our performance is monitored by National Britannia. We keep detailed records of any accidents and are pleased to report that our low level of incidents has continued in 2004. We recorded 39 reportable accidents, among 175 million customer visits and 4 reportable accidents from our 787 employees (2003: 24 and 7). This continuing low level of incidents is encouraging but we are not complacent and our target is to continue to work to improve the statistics.

Underpinning the Health & Safety Committee within Liberty International is our external advisor National Britannia with whom we have had a relationship for over 10 years. Their role within Health & Safety includes:

- Keeping us aware of legislation developments.
- Providing an independent audit of Health & Safety performance.
- Compiling incident and accident statistics.
- Providing Health & Safety monitoring at shopping centres, through their Hascheck system.
- Providing an independent advisory service in response to statistics and changing trends in the information provided by centres.

During 2004, we strengthened this relationship to include unannounced audits by National Britannia at our UK shopping centres. We intend to maintain the current accident record at its extremely low level, as compared with the rest of the industry.

Legislation update

We are aware of the need to ensure we respond to changes in legislation and have established a website to ensure that our shopping centres management teams have a readily available source of information.

The Disability Discrimination Act ("DDA") came into force during the year. The recommendations of the DDA audits carried out in 2003 have been implemented and we believe all our premises are DDA compliant. We continue to work to ensure that the disabled facilities in our properties meet the requirements of our shoppers and occupiers and we upgrade our facilities whenever possible.

We have completed the asbestos audits across our portfolio and implemented asbestos management procedures as necessary.

During 2005, the amended workplace fire regulations are expected to become law and we have appointed specialist fire consultants to work with our own centre based fire officers to review the fire management procedures at our shopping centres.

British Safety Council award



MetroCentre was one of only 40 organisations worldwide presented with a Sword of Honour, recognised as the pinnacle of safety achievement, by the British Safety Council. It is the third time in the last four years that MetroCentre has received the accolade. Only organisations that receive the maximum rating in the Council's five star health and safety management system audit are eligible to apply. Organisations also have to prove they have

a culture of aiming towards best practice, promoted from the boardroom to the shop floor. Applications are judged by an independent panel, which, as a result of increased competition, ensured standards this year were the highest yet.

Kevin Watson, Technical Services Manager, received the Sword of Honour from David Ballard, Director General of the British Safety Council (above).

Relevant policy

Health & Safety

This policy is available at www.liberty-international.co.uk

Business Code of Practice

Liberty International, through Capital Shopping Centres, is the leading owner and manager of regional shopping centres in the UK. In addition, the company owns, through Capital & Counties, a portfolio of high quality commercial and retail property in the UK and USA.

All the parties with whom we have dealings – our employees, shareholders, investment partners, local authorities where we have property interests, retailers and other occupiers, suppliers and the general public – should feel confident that Liberty International is a company they can trust. As a FTSE 100 company, we value our reputation, not least as a vital component of long-term success.

Creating, building and maintaining that trust requires a strong and long-term commitment to high standards of ethics throughout the entire business. Ethics encompass and inform all aspects of Liberty International's business through to our relationships with stakeholders, our attitude to the environment, the quality of the services and facilities we supply, how we interrelate within the communities in which we operate, together with our procurement and employment policies. A sound and well-developed code of business ethics is a prerequisite of a successful business and our aim is that it should be firmly embedded in the culture of Liberty International and its group companies.

We produce an annual report on Corporate Social Responsibility ("CSR") stewardship for shareholders and other stakeholders. Its content demonstrates that we take CSR seriously. We have a long history of a responsible and forward-looking approach to sustainability and, throughout the group, we actively promote business practices that protect the environment. Within our human resources policies, we provide induction and training courses for our employees covering, inter alia, environmental issues, customer relations and Health and Safety.

Liberty International operates in a way that recognises the important role that its properties play in local communities, and we provide members of the public who visit our shopping centres with a safe, healthy and comfortable environment and the widest choice of retailers and amenities. Where terms are appropriate, we look to procure goods and services from local suppliers, and our policy is that payments are made promptly in accordance with the conditions of the relevant contract.

Our core business activities constantly involve us with the public sector in many forms and, in particular, with local authorities of all political persuasions. As a matter of policy, we do not contribute directly to political parties. Facilitation payments, other than those officially recognised through Planning processes, are not permitted.

We have a Whistleblowing Policy in place to ensure that our employees know who to contact should they suspect any form of malpractice. We take appropriate action to eradicate any form of improper practice which is brought to our notice.

We are committed to obeying all relevant laws and regulations in the countries where we operate.

We expect our employees to adopt high standards of behaviour in dealing with suppliers, especially regarding gifts involving pecuniary benefits or benefits in kind. Guidance notes have been issued to employees and are updated as appropriate. In addition, internal rules govern employee dealings in the shares of Liberty International.

CSR Policy

Liberty International is a major FTSE 100 property group owning Capital Shopping Centres, the UK's leading shopping centre business, and Capital & Counties, a commercial and retail property investment and development company. We are focussed on providing high standards of service to our shoppers and occupiers.

We have long recognised the mutual benefits of incorporating the principles of sustainability into our business. For Liberty International, Corporate Social Responsibility ("CSR") is our contribution towards sustainable development by considering environment, social and stakeholder issues in formulating our business objectives. Land is a scarce resource, and our skill is in continuing to develop and manage it in a sustainable manner to create maximum value for all our stakeholders.

We recognise our responsibility towards the environment and the need to meet all legislative requirements. We aim to use natural resources both efficiently and effectively and to protect valuable habitats and ecosystems. Our strategy is to enhance the quality of life of those communities where we operate and where we are an employer. This means developing a constructive partnership approach with local, county and regional authorities, supporting where practical their sustainable development objectives, and complying with applicable regulations. We aim also to communicate with our suppliers of goods and services and to involve them in the understanding and implementation of this policy, working in partnership to deliver the highest standards.

In our dealings with customers – shoppers and occupiers – our policy is to provide high standards of service and safe environments in which to shop and work. We are committed to comply with employment laws and to maintain a clean, safe and healthy working environment that provides appropriate benefits, training and personal development. We do not discriminate, we recognise equal opportunities and encourage an open culture and the involvement of all employees.

Our primary driver is to meet shareholder needs and we aim to communicate and report regularly on our progress in an open and transparent way. We need to encourage understanding, support and participation from all our stakeholders in the value created by our approach to Corporate Social Responsibility. We will continue to apply appropriate governance processes to deliver our CSR objectives.

All our policies are available on www.liberty-international.co.uk

External recognition

The provision of first class customer service is a high priority at all our shopping centres. During the year, we received awards from many independent bodies, reflecting the determination of our staff to maintain the highest standards.

Community

Sabre certificate for support of the Reserves of the Armed Forces
Liberty International PLC

Operations

Property Managers Association – Shopping Centre Management Team Award
The Potteries

Customer Service

Loo of the Year – 5 star award
The Chimes

Security and Health & Safety

*Association of Chief Police Officers – Secured Car Park Award**
Braehead (Seven car parks)
Lakeside
MetroCentre
The Chimes
The Glades
The Harlequin (Seven car parks)
The Potteries
Victoria Centre (Two car parks)

* renamed “Safer Car Park” in October 2004

British Safety Council – Sword of Honour:
MetroCentre

British Retail Consortium Safe Shopper Award
Victoria Centre
The Chimes
The Glades

Transport

Bus Industry Award for increased public transport visits
MetroCentre

Benchmark Indices

FTSE4Good

Business in the Environment

JSE Securities Exchange SRI Index

Morley Sustainable Investment

Storebrand SRI – Best in Class



Secured Car Park Status Award



CSC recognises the importance of providing a safe, secure and friendly environment, not only in the malls but also in the car parks we manage. The Association of Chief Police Officers launched the Secured Car Parks Scheme in 1992 as part of their “Secured by Design” initiative to certify car parks that have adopted effective processes to create a safe and secure environment, in turn reducing public fear and restricting opportunities for car crime to be committed. Car parks achieve this with high levels of cleanliness and lighting,

comprehensive CCTV, security patrols and instant reporting.

The scheme is supported by the Home Office and is administered by the British Parking Association.

The award is granted for one year only, after which each car park must be re-inspected to establish whether it should be awarded the certificate for a further year. From 1 October 2004 the name of the award changed from “Secured Car Park” to “Safer Car Park”.

The new multistorey car park at MetroCentre (above), opened in October 2004 and has achieved the accreditation.

Shopping Centre Management Team Award



The Property Management Association, which represents the interests of retailers, this year created a new award, designed to recognise effort where real commitment has been shown and is given to a team who demonstrates that they comply with the ethos of providing the highest level of service and transparency.

We are delighted that the first Shopping Centre Management Team to win this Award is The Potteries Shopping Centre.

Barry Turnbull, General Manager, received the award on behalf of his team.

Performance indicators

All indicators are Global Reporting Initiative (GRI) core indicators unless stated otherwise and, where appropriate, cross reference to other CSR indicators is shown (such as those from BiTC, FTSE4Good)

Economic Performance

GRI Reference		2004
	Direct Economic Impacts: Customers	
EC1	• Turnover	£385 million
	• EBITDA	£246 million
EC2	• Breakdown of markets by turnover	UK 93%, USA 7%
	Direct Economic Impacts: Suppliers	
EC4	• % contracts paid in accordance with agreed terms	100%
	Direct Economic Impacts: Employees	
EC5	• Total payroll	£28.6 million
	Direct Economic Impacts: Capital	
EC7	• Total value of gross assets	£6.0 billion
	• Increase in earnings per share before exceptionals	5.7%
EC6	• Breakdown of capital	See Annual Report page 43
	Direct Economic Impacts: Public Sector	
EC8	• Total sum of taxes paid	£18.3 million
EC10	• Donations made (including community support)	£601,750

Environmental Performance

GRI Reference		2004
	Environmental: Energy (also BiTC, FTSE4Good indicator)	
EN3	• Direct energy use (UK shopping centres)	104 million kWh
	• Associated carbon dioxide emissions from direct energy use (UK shopping centres)	39,377 tonnes
	• Direct energy use (UK commercial properties)	29 million kWh
	• Associated carbon dioxide emissions from direct energy use (UK commercial properties)	8,471 tonnes
EN5	Environmental: Water (also BiTC, FTSE4Good indicator)	
	• Total water use (UK shopping centres)	253,500 m ³
	• Total water use (UK commercial properties)	64,900 m ³
	Environmental: Waste (BiTC, FTSE4Good indicator)	
	• Total waste handled (UK shopping centres)	15,000 tonnes
	• Breakdown of waste disposal routes (UK shopping centres)	19% recycled 43% incinerated for energy 2% incinerated 36% sent to landfill
	Environmental: Biodiversity (BiTC, FTSE4Good indicator)	
	<i>Additional Indicators</i>	
EN6	• Location, size of land owned, leased, managed in biodiversity rich habitats	None
EN25	• Impacts of activities and operations on protected/sensitive sites	None
EN16	Environmental: Compliance (also BiTC, FTSE4Good indicator)	
	• Incidents of and fines for non-compliance with all environmental legislation	None
EN34	Environmental: Transport (also BiTC, FTSE4Good indicator)	
	<i>Additional Indicators</i>	
	• Significant environmental impacts of transport: associated carbon dioxide of travel to and within work	Not re-assessed in 2004 (survey conducted in 2003)
	• Breakdown of travel to shopping centres by shoppers	see page 13
	Environmental: Brownfield (BiTC indicator)	
	• % of land developed on brownfield	100%

Social Performance

GRI Reference

2004

	Social, Labour Practices and Decent Work: Employment	
	<i>Core Indicators</i>	
LA1	<ul style="list-style-type: none"> Breakdown of workforce 	787 79% full-time 15% part-time 6% casual
	<i>Additional Indicators</i>	
LA12	<ul style="list-style-type: none"> Local employment used Employee benefits – eligible employees pension scheme membership 	All 62%
	Social, Labour Practices and Decent Work: Health & Safety	
LA5	<ul style="list-style-type: none"> Practices on recording and notification of occupational accidents and diseases 	see page 15
LA6	<ul style="list-style-type: none"> Description of formal joint H&S Committee comprising management and workforce and proportion of workforce covered by such committees 	see page 15
LA7	<ul style="list-style-type: none"> H&S performance 	4 RIDDOR in 787 employees
	Social, Labour Practices and Decent Work: Training and Education	
LA9	<ul style="list-style-type: none"> Average hours/days of training per year per employee 	1,137 days of training provided to employees
	Social, Labour Practices and Decent Work: Diversity and Opportunity	
LA10	<ul style="list-style-type: none"> Description of equal opportunity policies and monitoring systems to ensure compliance and results 	see page 14
LA11	<ul style="list-style-type: none"> Composition of senior management, including male/female ratio 	31% female employees in management 39% female employees overall
	Social, Society: Community	
	<i>Core Indicators</i>	
SO2	<ul style="list-style-type: none"> Description of policies to manage impacts on communities in areas affected by activities, as well as description of procedures to address issues including results of monitoring 	see pages 6-9
	<i>Additional Indicators</i>	
SO4	<ul style="list-style-type: none"> Awards received relevant to social, ethical and environmental performance 	see page 17
	Social, Society: Political Contribution	
	<i>Core Indicators</i>	
SO3	<ul style="list-style-type: none"> Description of policy/procedures and mechanisms for managing political lobbying and contributions 	Policy is to make no political contributions
	<i>Additional Indicators</i>	
SO5	<ul style="list-style-type: none"> Amount of money paid to political parties 	none
	Social, Product Responsibility: Customer Health & Safety	
	<i>Core Indicators</i>	
PR1	<ul style="list-style-type: none"> Description of policy for preserving customer H&S during use of services and how this is applied and results of any monitoring 	see page 15
	<i>Additional Indicator</i>	
PR4	<ul style="list-style-type: none"> H&S performance for shoppers (UK Shopping Centres) 	39 RIDDOR per 175 million customer visits
PR5	<ul style="list-style-type: none"> Number of complaints upheld by H&S regulatory bodies 	none

CASELLA STANGER EXTERNAL VERIFICATION STATEMENT – SUMMARY**Objectives**

The purpose of this Statement is to reassure stakeholders that the CSR Report is accurate, objective and provides a true reflection of impacts and performance. The process is based on the Global Reporting Initiative (GRI) and Accountability Standard AA1000. The outputs of the process are a public Verification Statement and an Internal Management Report which contain recommendations to further improve Liberty International's future CSR programme. The full Verification Statement and associated recommendations can be found at www.liberty-international.co.uk.

Scope

We have verified all factual statements and data in the Report except economic, company profile and non-UK information. Verification occurred at Corporate Head Office, Capital & Counties (C&C) and detailed site audits were held at two (out of nine) Shopping Centres.

Casella Stanger provides CSR Strategy support and advice on Report structure and alignment with best practice to Liberty International. However, we were not involved in the writing of any of the material or data included in this Report.

Opinion**Accuracy of Report**

- We are satisfied that all factual statements contained within the Report are accurate.
- CSR data and performance indicators are reliable and reflect performance. Data collection systems are generally robust and trends correct. However, some areas for improvement were identified and appropriate recommendations have been provided.

Completeness, materiality and responsiveness of report

We are satisfied that Liberty International has provided an accurate and balanced Report and has a good understanding of its impacts which are aligned with its CSR objectives. There are no significant omissions which could affect stakeholders' ability to make informed judgements about its performance.

An annual review of best practice is undertaken. This focuses on indicators and includes the GRI, BiTC, ABI and a review of feedback to Liberty International from previous Reports. The results are used to identify issues for inclusion in the Report, identify gaps and plan future action. The outcome of this process is used by Liberty International to inform its stakeholders.

Liberty International has a variety of processes in place to obtain feedback and respond to stakeholders. This includes customer and retailer surveys, meetings, and consultation for development projects. Liberty International could provide further information on the outcomes of the feedback and how this information is used within the business.

Further recommendations on CSR strategy and communication, management systems and supporting data processes are in the full Verification Statement and within the Internal Management Report.

Overall, Liberty International has made good progress continuing to implement its CSR Strategy in 2004. CSR is integrated into business risk processes and performance measurement has improved. It has implemented the CSR shopping centre audit recommendations (conducted in 2003) and initiatives specific to each centre. Other areas of best practice are commented on in the full Verification Statement.



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Casella Stanger



Ben Shuster
Consultant
Casella Stanger

Association of British Insurers (ABI) An industry association which explores public policy and other issues relevant to the insurance industry. The ABI has published guidelines on implementing CSR.

Association of Chief Police Officers Assists chief police officers to provide excellence in the leadership of the service; ensure a professional and ethical service is delivered to all communities; and provide professional advice to Government, police authorities, and other appropriate organisations and individuals.

Biodiversity Short for biological diversity, means the diversity of species, the diversity of the habitats in which they live, and genetic diversity within species.

BREEAM Building Research Establishment's Environmental Assessment Method. This is used to assess the environmental performance of both new and existing buildings. It is regarded by the UK's construction and property sectors as the measure of best practice in environmental design and management.

British Council of Shopping Centres An organisation for those involved in shopping centre development and management. It produces a range of technical guidance and position papers.

Brownfield land Land that has previously been used for development.

Business in the Environment (BiE) This is a UK charity whose aim is to inspire businesses to work towards environmentally sustainable development as a strategic, mainstream business issue. The organisation publishes an Annual Index of Corporate Environmental Engagement and Corporate Responsibility which benchmarks FTSE 350 companies on their performance in these areas.

Business in the Community (BiTC) This is a UK charity whose aim is to inspire, challenge, engage and support business in continually improving its positive impact on society.

Bye-law A rule made by a local authority to regulate its own affairs.

The Carbon Trust Launched in April 2001, this Government body works with businesses and the public sector to meet the UK's ongoing targets for carbon dioxide emissions; to improve the competitiveness of UK business through resource efficiency; and support the development of a UK industry sector that capitalises on low carbon technologies.

Community Beat Managers Special officers put in place by the local police authority to work with the local community to improve community policing.

Corporate Social Responsibility (CSR) This concept considers many aspects of a company's performance and risks associated with issues such as employment, environment, human rights, communities and business relationships and is a corporate's response to the sustainable development agenda.

Crimestoppers An independent charity which helps to prevent and solve crimes. The scheme allows individuals to give information about crimes that affect themselves and their community.

DEFRA The UK Government Department for Environment, Food and Rural Affairs.

Disability Discrimination Act (DDA) An Act of Parliament put in place in 1995 which enforces the rights of and prevents the discrimination against disabled people in areas of employment, access to goods, facilities and services and property.

EIRIS The Ethical Investment Research Service provides the independent research into corporate behaviour required by ethical investors to enable them to make informed and responsible investment decisions.

Environment Agency (EA) The Environment Agency in England and Wales (Scottish Environmental Protection Agency (SEPA) in Scotland) is responsible for regulating all aspects of the environment including water, air and waste pollution.

FTSE4Good FTSE4Good indices (part of the FTSE set of indices) have been designed to measure the performance of companies that meet corporate responsibility standards to facilitate investment in those companies.

Global Reporting Initiative (GRI) An international process whose mission is to develop and disseminate globally applicable sustainability reporting guidelines for voluntary use by organisations for reporting the economic, environmental and social dimensions of their activities.

Governance The management processes and systems that determine how decisions are made and a company is managed.

Hascheck System – An online health and safety risk-management tool.

ISO 14001 An international standard on Environmental Management intended to assist organisations to achieve environmental and economic goals.

Key Stage A tiered educational standard for school leavers.

Operating Financial Review (OFR) The requirement for inclusion of CSR issues within the Annual Financial Report. Legislation will take effect 1 April 2005, and enforcement will start with OFRs prepared for financial years starting on or after 1 April 2006.

Retailer Handbook Reference book provided to each shopping centre retailer containing information on shopfitting procedures and the operation of the shopping centre.

RIDDOR Reporting of Injuries, Diseases and Dangerous Occurrences from the 1995 Regulations. These Regulations require an employer to report certain dangerous events to the appropriate enforcement body. Such events include fatalities, major injuries, injuries where employees are away from work over three days and a wide range of occupational diseases as well as an extensive list of other defined dangerous events.

Shareholders Individuals and organisations that own shares in Liberty International.

Shoppers and Occupiers Our customers – the tenants of our office, retail and shopping centres and their employees and visitors to our premises or those of our tenants.

Socially Responsible Investment (SRI) Investment decisions based on environmental and social factors, as well as financial returns. SRI balances the need for financial returns with the investment's potential impact upon the environment and society. Most major investors operate SRI funds, which will only invest in companies meeting predetermined environmental and social criteria.

Stakeholders Any person who is affected by, or has an effect upon an organisation. A stakeholder is also a person who perceives an effect as a result of an organisation's activities.

STEP A national programme offering undergraduates commercial work experience or community work.

Sustainability/Sustainable Development Integrating economic, social and environmental policies to ensure a better quality of life for everyone, now and for generations to come.

Sword of Honour One of the top awards in safety. The Sword of Honour recognises organisations that implement safety systems that protect people, plant, equipment and the environment and increase productivity and profitability.

Whistleblowing Disclosing information about malpractice where the disclosure is in the public interest.

We would welcome your feedback on this report.

Please send your comments to Margaret Harwood at Liberty International PLC, 40 Broadway, London SW1H 0BT, telephone 020 7960 1200, or email margaret-harwood@lib-int.com

This report is also available, together with the 2002 and 2003 CSR Reports, on our website: www.liberty-international.co.uk

