Liberty International PLC
Corporate Social Responsibility Report 2005

Highlights for 2005

- **Overview**
  - conclusion of initial three year programme with all major objectives met
  - Board level CSR committee established to formulate policy
  - clear additional value being created from CSR programme
  - major initiatives being focused on youth and education
  - new three year programme with targets and benchmarks
- **Stakeholders**
  - engagement with shareholders and across the broad spectrum of stakeholders
  - extensive consultation on new development proposals
  - development programme includes substantial residential and community elements
  - over 46,000 people employed at the UK shopping centres
  - supply chain policy formulated
- **Environment**
  - 100 per cent of current development programme on brownfield land
  - UK shopping centres
    - Majority of energy from sources exempt from Climate Change Levy
    - 3 per cent reduction in energy consumption
    - 29 per cent of waste recycled
    - public transport plans in place at two centres and others under development
- **Workplace**
  - continuing excellent health and safety record
  - 86 per cent of management staff are long-term employees
  - 41 per cent of total workforce are women
- **Community support**
  - 3,600 hours of staff time spent on local community activities
  - £500,000 community support provided by UK shopping centres
  - £143,000 corporate charitable donations
- **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: Chapelfield Shopping Centre which opened in September 2005 blends in with the environment; a link to the city centre has been created through the adjacent churchyard, restoring it as an active part of the community.

Chairman's foreword

We are all living in an increasingly complex environment where dereliction of land use, poor business practices and climate change provide significantly greater challenges. Part of the wider responsibilities of business, in particular public companies, is to carry out their operations by focusing on the creation of sustainable solutions and values and pursuing responsible business practices in the best manner possible.

My assumption of the Chairmanship of Liberty International PLC has given me the opportunity to review and reassess the place that Corporate Social Responsibility ("CSR") plays in our affairs and to build on the substantial progress made by our management team, especially over the last three years.

Our primary responsibility is to our shareholders and in maximising their returns; but in doing so we must at all times conduct our operations with the interests of our employees well in mind, as also those of the communities in which these operations are conducted.

As a major FTSE 100 company and the leading company involved in the ownership and management of UK regional shopping centres, the culture of CSR and a positive attitude towards sustainable development has always been an integral part of our business approach. In particular, our strategy of regenerating brownfield land has provided the catalyst for reviving the economic vitality of those areas where we have invested. This has led to significant benefits for future employment and the creation of new amenities that improve the quality of life in the surrounding community.

In the last three years we have introduced measures designed to reduce the environmental impact caused by the use of energy and the creation of waste. We have also been working with transport operators and local authorities to promote the use of public transport as an alternative option for visitors to our UK shopping centres where we attract over 200 million customer visits annually. In addition, as part of our community programme, we have instigated youth and educational projects local to our shopping centres. Beyond these initiatives we intend to engage even more closely with the communities on which our business depends.

The property industry does not always receive the credit it deserves for long-term investment in the regeneration of areas of deprivation. We will continue to engage with Central Government and other relevant entities to ensure that Liberty International's important contribution in revitalising the economic wellbeing of these areas is fully recognised.

This year we have taken the opportunity to undertake a major review of CSR within the Liberty International Group. As a consequence the Board has invited me to chair a new CSR Committee which has been formed to be responsible for future CSR initiatives (particularly community related), including charitable giving which will continue to be linked to our shopping centre locations.

Having just completed the first period of formalised CSR management and reporting, the next three years will undoubtedly be a challenge as we work to achieve more rigorous targets and objectives. Our core strategy will remain, to be a long-term investor in regional shopping centres and other high class buildings in the retail and office sectors in the United Kingdom with a strong commitment to the local communities where we invest.

As Chairman of Liberty International I look forward to being able to make a worthwhile contribution to the subject which I believe will increasingly be seen as a vital component of a successful business in today's competitive, discerning and socially responsible society.

Sir Robert Finch
Chairman
February 2006

FTSE4Good

Profile

Scope of report

Liberty International PLC is a FTSE 100 company, listed in both London and Johannesburg. This report covers the entire group, both in the UK and the USA. As our fourth report, it covers activities for the year to 31 December 2005, although most of the shopping centre statistical information is for the 12 months to 30 September 2005. 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 2005 Annual Report for detailed 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.

Significant changes in the year

Since last year, three shopping centres have been added to CSC 's portfolio: Manchester Arndale (95 per cent jointly owned with Prudential), The Mall at Cribbs Causeway (66 per cent jointly owned with Prudential) and Chapelfield, Norwich (100 per cent owned) which commenced trading in late September 2005. As Chapelfield opened right at the end of the CSR reporting period, it has not been included in the statistics in this Report. Information relating to Manchester Arndale and The Mall at Cribbs Causeway, which are operationally managed by Prudential, has been included for the six months from acquisition to 30 September 2005 only.

Liberty International at a glance

Capital Shopping Centres (CSC), the UK 's leading shopping centre business, and Capital & Counties (C&C) a retail and commercial property investment and development company, are both wholly-owned subsidiaries of Liberty International. Key facets of the business are presented below. Please see our 2005 Annual Report for further information on the group.

Highlights from 2005 Accounts

- £300.1 million net rental income.
- £7.1 billion total properties.
- £4.2 billion net assets (diluted, adjusted).

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 which 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.

- Twelve completed centres including nine of the UK 's top 25 centres.
- Four out-of-town shopping centres: Lakeside Thurrock, MetroCentre Gateshead, Braehead Renfrew Glasgow, The Mall at Cribbs Causeway Bristol.
- Eight town centre shopping centres: Eldon Square Newcastle, Manchester Arndale, Victoria Centre Nottingham, The Potteries Stoke-on-Trent, Chapelfield Norwich, The Harlequin Watford, The Chimes Uxbridge, The Glades Bromley.
- 11.1 million sq. ft. of retail space, 1,828 retail units.
- UK's major retailers represented in our centres including John Lewis, House of Fraser, Debenhams, Marks & Spencer, Next, Boots and Arcadia.
- An estimated 210 million shopper visits per annum.
- An estimated 46,000 employed in UK shopping centres.
- Catchment areas covering half the UK's population.
- £1 billion development projects including Cardiff, Oxford and extension to Eldon Square shopping centre, Newcastle.

Capital & Counties

Capital & Counties is our commercial property arm with a focus on retail and office properties in the UK and California and includes Capital Enterprise Centres, the managed workspace provider. Our retail holdings include prime shops in London locations such as Covent Garden, Kensington, Piccadilly and Regent Street.

– 6.2 million sq. ft. of commercial property.

– Investment properties: 57 per cent retail; 43 per cent business space (by value).

– 837 occupiers:

Capital & Counties' properties by (value):

- Central London – 36 per cent.
- Retail outside London – 16 per cent.
- Business space outside London – 18 per cent.
- USA – 30 per cent.

Lakeside, Thurrock

The Mall at Cribbs Causeway, Bristol

The Headrow, Leeds

Capital Park, Cambridge

Overview

Introduction
We are pleased to report on another year of progress across the broad spectrum of Corporate Social Responsibility ("CSR") reflecting the conclusion of the initial three year programme we set ourselves in 2002. During these three years we have formalised the management of social, ethical and environmental issues, building on the culture of CSR which has always been an integral part of our business.

Major achievements 2003–2005
These can be summarised as:

- The implementation of a broad set of corporate policies.
- Formalising the collection of CSR data covering all of the group's activities.
- Further enhancing the links with our customer base and the communities in which our shopping centres operate.
- A significant improvement in our waste management performance.
- A continuing reduction in CO_2 emissions and a large proportion of our electricity supplies now procured from sources exempt from Climate Change Levy.
- The creation of around 2,000 jobs following the opening of Chapelfield.
- The integration of sustainable solutions into new shopping centres and office building designs where commercially viable.
- The continued excellent record on health and safety.

More information on these achievements and other CSR related information is contained throughout this Report.

In most areas we are seeing clear additional value being created from our CSR programme for the benefit of our shareholders and other stakeholders, justifying the considerable time and management resources required to address CSR matters properly. However, due to a number of factors largely outside our control, it has proved difficult to collect robust data on water consumption at some UK shopping centres and, despite a significant increase in recycling, we have been unable at present to reduce the amount of waste going to landfill. These issues will be pursued in 2006.

Major initiatives
We have to date focused our initiatives on supporting education and youth projects in the communities served by our UK shopping centre business.

- We have formed partnerships with national charity ICAN to provide facilities for improving literacy skills for the very young, and with Newcastle EBP and local schools to promote retailing as a career.
- We are having exploratory discussions with The Prince's Trust about supporting their programme of helping disadvantaged youth and providing support to young people to set up their own businesses.
- Following the acquisition of interests in Manchester Arndale, and The Mall at Cribbs Causeway, Bristol, we are now working with our partner, Prudential, on further projects under their well established community "Grass Roots" and "4 Youth" programmes.

We look forward to developing these and other initiatives and making a real contribution to the lives and aspirations of the younger generation.

To further strengthen our ties with the community we intend also to develop initiatives aimed at preventing crime and anti-social behaviour.

Regeneration
We continue to focus on the regeneration of existing town and city sites utilising brownfield land for our extensive development programme.

- At Braehead the regeneration of our major Clydeside site adjacent to our shopping centre continues to make good progress. When this second phase is completed, Braehead will become a fully integrated community with newly created residential areas complemented by shopping, leisure, community facilities and business activities.
- Working alongside local authorities we are delivering mixed use projects as demonstrated by the residential and community elements included in the new shopping centre, Chapelfield, Norwich, the proposed shopping centre developments in Cardiff and Oxford, and the office regeneration schemes in London and Leeds.

External recognition
In 2005, our commitment to sound CSR principles continued to be recognised by FTSE4 Good, the Johannesburg Stock Exchange SRI Index and Morley, the UK Fund Manager, which has maintained the company as a recommended investment for its Sustainable Future Funds.

In April, Liberty International was placed by BiTC in the top 100 UK companies benchmarked across a broad range of CSR impacts.

Future plans and objectives
The 2005 Report gives an objective and balanced account of our CSR stewardship over the last three years. Having put in place the baseline information and identified projects capable of adding value for all participants, we are now driving forward our agenda as part of our stated aim of delivering long-term shareholder value. We have detailed our plans for the future and set new targets and objectives. With the commitment of our staff, consultants and suppliers, we will continue to deliver best practice across the range of CSR impacts.

We are sending this Report to our major stakeholders. We hope that it will be both interesting and informative and we look forward to receiving any comments.

David Fischel
Chief Executive
February 2006

Peter Badcock
Chairman CSR Management Committee

Progress update

Governance

Objectives for 2003–2005

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

Achievements 2003–2005

- Board level CSR Committee established.
- CSR Management Committee established, supported by external advisors.
- Business Code of Practice and formal policies – Environmental, Supply Chain, 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 implemented and continuing.
- Internal audit programme in place for all UK shopping centres.
- Reporting systems formalised to gather relevant information and data on a quarterly basis.
- Register of relevant environmental legislation established for shopping centre management on dedicated website.
- Development of an Environmental Management System well advanced.
- Recognition in JSE SRI listing, FTSE4Good listing and top 100 Business in the Community CR and Business in The Environment Indices achieved.

Plans for 2006–2008

- Maintain the processes for monitoring progress of our CSR strategy and its supporting systems and introduce enhanced Environmental Management System ("EMS") procedures.
- Establish benchmarks and targets for other key objective areas – supply chain, transport, stakeholder engagement.
- Further develop our internal audit programme and review outcomes at CSR Management Committee.
- Undertake an annual review of CSR risks.

Stakeholders

Objectives for 2003–2005

Communication and Stakeholder Engagement
- To create long-term value for shareholders utilising sound business ethics and adopting best practice.
- To promulgate CSR culture throughout the company and ensure employees adopt best practice.
- 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.

Achievements 2003–2005

Communication and Stakeholder Engagement
- Regular presentations to shareholders, potential investors and analysts.
- Employees – see Value of People
- CSR reports have been widely circulated to investors and major stakeholders (our partners, local authorities, 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.
- Extensive community consultation as part of our development programme.

Customers – Shoppers and Occupiers
- Consistent Retailer Handbooks almost complete for distribution to all our retailers.
- Survey of principal retailers undertaken to benchmark our performance as a landlord
- Retailer liaison programme formalised in order to continue the dialogue and develop closer relationships to our mutual benefit.
- Extension of shopper research programme.

Community Involvement
- Reporting of community activity by the shopping centres formalised.
- Close relationships maintained with the police and a dedicated police presence established at five CSC shopping centres.
- Education and youth support initiatives across our UK shopping centres in addition to providing opportunities to support and add value to the activities of local communities.

Plans for 2006–2008

Communication and Stakeholder Engagement
- Continue to engage shareholders and other stakeholders and progress joint initiatives.
- Communicate relevant CSR activities to stakeholders as appropriate.

Customers – Shoppers and Occupiers
- Distribute new retailer handbooks in directly managed UK shopping centres.
- Continue to develop retailer liaison programme in the UK shopping centres.
- Communicate key elements of CSR strategy to shoppers and occupiers – such as transport access, waste and energy.

Community Involvement
- Roll out the youth and education projects to other UK shopping centres.
- Consider appropriate initiatives for the prevention of crime and other anti-social behaviour.
- Continue to strengthen working relationships with the police and provide further on-site facilities as appropriate.
- Engage external service providers in shopping centre community initiatives.

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.

Achievements 2003–2005

Transport
- New public transport interchange opened at MetroCentre.
- Sustainable Travel Manager appointed at MetroCentre; now working with other shopping centres to develop public transport.
- Sustainable travel plans in place at two shopping centres; under development at three centres.
- Employee travel survey undertaken.

Energy, Water
- Energy monitoring and reporting processes in place across all directly managed UK shopping centres.
- Substantial progress with the efficient management of these resources.
- Majority of energy at UK shopping centres now generated from renewable sources via generation which is Climate Change Levy exempt.
- Relationship with Carbon Trust advanced.
- Water usage data being collected at some directly managed UK shopping centres.

Waste
- Significant recycling initiatives introduced by directly managed UK shopping centres.
- Amount of waste recycled by the UK Shopping Centres improved to 29 per cent.

Sustainable Design and Development
- Design guides for office properties have been updated to reflect our Environmental Policy and Guide.
- Environmental Policy and Guide communicated to our consultants and contractors and compliance incorporated into the project approval system.
- Implementation of the Environmental Policy and Guide monitored.
- 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
- Review of major suppliers to the business undertaken to identify key issues.
- Programme under development for engagement with key suppliers in respect of environmental performance and other CSR related issues.
- Supply chain policy developed.

Plans for 2006–2008

Transport
- Continue the implementation of travel plans and aim to complete all directly managed UK shopping centres by 2007.

Energy, Water
- Aim to achieve a 5 per cent reduction in energy consumed in 2006 at the directly managed UK shopping centres subject to normal weather patterns.
- Aim to build on current water data to ensure a robust baseline across all shopping centres.
- Continue to explore the potential for renewable energy, re-use of rainwater and other sustainable practices in our new developments.

Waste
- Aim to achieve 40 per cent of waste recycled at our UK shopping centres in 2006.
- Research other opportunities to reduce waste sent to landfill.

Sustainable Design and Development
- All new developments to achieve a BREEAM standard of “Very Good”.
- Continue to employ contractors who implement our environmental objectives on site.

Regeneration of Derelict and Brownfield Sites
- Continue to ensure the efficient use of land to support regeneration and economic growth and maintain 100 per cent of our development programme on brownfield land.

Procurement
- Implement the programme of supplier engagement in line with the Supply Chain Policy.
- Undertake audits of critical suppliers to ensure compliance with the Supply Chain Policy.
- Develop where appropriate minimum standards for certain goods and services in line with the Environmental and Supply Chain policies.

Workplace

Objectives for 2003–2005

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

Achievements 2003–2005

Human Resources
- Our Business Code of Practice, The Importance 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.
- A review of our HR policies, procedures, systems and indicators undertaken.
- Board agenda includes employee reporting.

Plans for 2006–2008

- Continue to undertake annual performance appraisals for staff and include CSR related issues where appropriate.
- Conduct employee opinion research and undertake to act on it where necessary.
- Continue to improve HR communication and documentation.
- Involve employees in community initiatives.

Health & Safety

Objectives for 2003–2005

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

Achievements 2003–2005

- Asbestos management systems introduced at our multi-let office buildings and at UK shopping centres in full compliance with legislation.
- All our properties believed to be Disability Discrimination Act compliant.
- Recognition through awards for our H&S performance.
- Established independent internal audit of H&S systems and procedures.

Plans for 2006–2008

- Review of H&S reporting to LI Board.
- Maintain the excellent H&S performance and low level of incidents.

Governance

During 2005 we have concentrated on further improving the robustness of our management systems for collecting CSR data and promulgating best practice throughout the group.

Our 2004 Report was circulated to relevant stakeholder groups: shareholders, employees, investors and analysts, retailers and occupiers, local authorities and public interest groups and was available to the general public at our directly managed shopping centres. Follow up meetings have taken place with representatives of these groups as appropriate.

Following an independent annual review and benchmarking against best practice, including GRI and BiTC Corporate Responsibility Index, we have further refined CSR risks that impact on our business and these form the basis of our targets and objectives for the next three years.

CSR Committee structure

During 2005, we have undertaken a complete review of the Board's management of CSR within the Liberty International group. As a result a Board appointed CSR Committee has been formed, chaired by Sir Robert Finch and including non-executive Directors, Patrick Burgess, Ian Henderson and Lesley James, Chief Executive David Fischel, and CSC Director Peter Badcock. The three Liberty International non-executive Directors bring to the Committee wide experience in community related and workplace matters. The CSR Committee will consider the group's future CSR policy and review and make recommendations to the Board on:

1) The management of CSR within the Liberty International group.

2) Strengthening the culture of CSR across the whole group and encouraging externally where appropriate.

3) New CSR initiatives, including head office participation.

4) Identifying those CSR areas which add value to the group's operations and benefit stakeholders.

5) Charitable donations.

The CSR Committee will instigate targets and objectives applicable to our business and will monitor their achievement through the CSR Management Committee chaired by Peter Badcock and comprising senior executives representing all aspects of the group's activities and supported by external specialist advisers. The CSR Management Committee will report to the CSR Committee quarterly.

Delivery of the agreed action plans, targets and objectives will be the responsibility of executive management reporting to the CSR Management Committee as appropriate.

The Audit Committee, as part of its governance responsibilities, will support the CSR Committee by reviewing the CSR Report to ensure accuracy and consistency of content. The CSR Committee will be responsible to the Board for the verification and recommendation for approval of the Annual CSR Report and the relevant CSR information for inclusion in the group's Interim Statement and Annual Report.

CSR risks

A comprehensive assessment is carried out as part of the group's Annual Report and the CSR Management Committee undertook a review of the group's risk register from a CSR perspective during the year. The identified CSR risks are set out in the chart below and referred to in more detail elsewhere in the Report. Each area of risk has been allocated to a member of the Board who is responsible for the executive processes in managing that risk.

Committee training and learning

The Management Committee have continued the programme of training and learning by observing best

Stakeholder Groups/CSR Risks	Management Processes	LI Board Responsibility	Further information
Corporate Governance Business Code of Practice Compliance & Verification	Policies, systems and audit	Entire Board	6, 7 Annual page 74
Shareholders & Analysts	Investor relations programme	Chief Executive Finance Director	8
Staff	HR management	Chief Executive	18, 19
Local Communities – support	Community engagement initiatives	Chairman	8, 9
Central Government	Engagement	Chairman Chief Executive	1
Planning Process – Local Authorities, Regional Government Departments, NGO's	Engagement	Managing Director – C&C Development Director – CSC	8
Suppliers, Contractors and Consultants	Procurement	Managing Directors – CSC/C&C	10
Health & Safety	Policies, training, systems and audits	Entire Board	17
Environment – energy, waste and transport	Policies, training, systems and audits	Managing Directors – CSC/C&C	14–17
Occupiers	Feedback and benchmarking against peer group	Managing Directors – CSC/C&C	8
Shopping Public	Feedback from surveys and focus groups	Managing Director – CSC	10

practice through seminars, events and meetings organised by BiTC and other organisations. In-house training has been provided by Bureau Veritas (formerly Casella Stanger) on CSR related issues and best practice, and learning through engagement with community organisations has continued.

CSR Management Systems and Data collection

We continue to refine our environmental management systems to identify significant impacts and monitor performance improvement. In 2004 we undertook an independent review in line with the best practice standard ISO14001 of the way we manage environmental issues – those that relate to our CSR policy and objectives and also compliance issues. From this, we are developing a series of procedures to implement our targets and continue our record of effective compliance. The existing procedures will be extended to cover issues such as emergency preparedness, waste and resource management and transport as well as the dissemination of best practice. These procedures together with existing documentation will form an environmental management system which will then be implemented across the directly managed UK shopping centres.

Our UK shopping centre and office portfolios now provide comparative information on a quarterly basis on energy and waste handling. This information is vouched by the management of the individual business units and is subject to internal audit processes. As a result we monitor performance at each property location, although due to differences in age and design specifications it is not practical to normalise the data in a meaningful way.

Corporate policies

A Supply Chain Policy covering the procurement of goods and services is now complete and will be communicated throughout the business. Our overarching principal business guidelines, The Business Code of Practice and CSR Policy are included in this report on page 20 and all the supporting policies can be viewed on our website at www.liberty-international.co.uk.

Audit

As part of the formalisation of CSR procedures, we have extended our internal audit process to incorporate CSR data. Our internal audit programme measures the effectiveness and robustness of our policies to ensure their appropriate application. We work with external specialists to accurately collect and record energy and waste data; this is overseen as part of our internal audit procedures and independently verified by Bureau Veritas.

Industry benchmarks

We continue to be included in key CSR indices which are appropriate to our business and stakeholder base - BiTC Top 100 Companies Corporate Responsibility Index for 2005 where Liberty International was placed 91st comparing well with peer companies in the industry; FTSE4 Good, and the Johannesburg Stock Exchange Socially Responsible Index. Liberty International continues to be rated as a sustainable investment within the classifications published by the UK investment institution, Morley.

Health & Safety

The responsibility for health & safety in respect of our staff, contractors, occupiers and visitors to our shopping centres lies with the Board who have delegated responsibility for Health & Safety policy to three separate Health & Safety Committees – Liberty International, Capital Shopping Centres and Capital & Counties. Each committee is responsible for establishing safety procedures for its part of the overall business. The Committees are advised by specialist external consultants. Operational responsibility will remain with line management. During 2006 we will be reviewing our Health & Safety reporting in respect of policy matters.

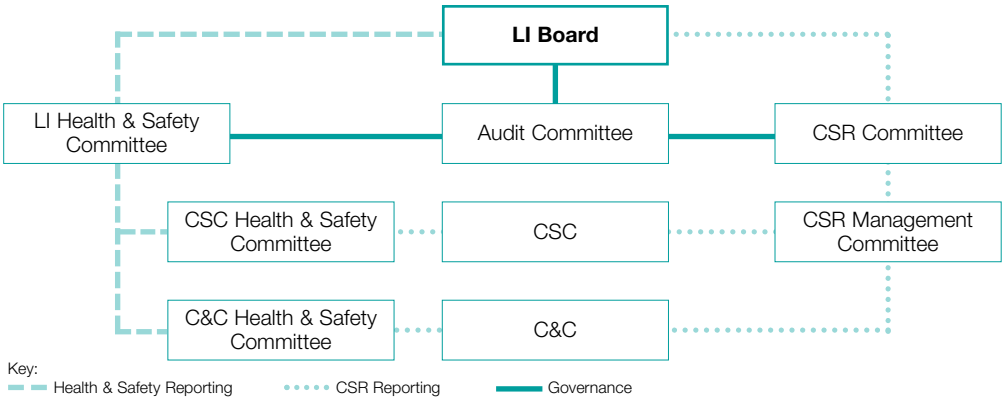
Compliance

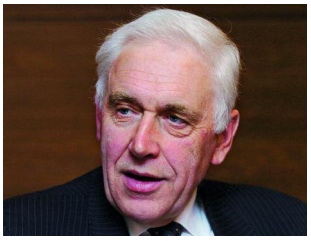
The company has complied with all applicable legislation and has been subject to no sanctions or fines for environmental, health and safety or any other infringements.

Objectives

2005 represents the conclusion of the initial three year programme we set ourselves in 2002. We have summarised our achievements against this programme on pages 4 and 5. We have also set down our plans for the next period, 2006–2008.

Governance, Health and Safety and CSR Relationships





Peter Badcock
Chairman, CSR Management Committee

Stakeholders

Our focus continues to be on engagement with all our stakeholders to discuss common interests and identify opportunities for working together. We regard all our stakeholder groups as important but in particular, our shareholders and employees are central to the success of our business. Our relationship with our employees is dealt with in detail on pages 18-19.

Our 2004 CSR report was circulated or made available to shareholders and other stakeholders, including our employees, local authorities, consultants and retailers both at their head office and shop managers at our centres. Copies were also available from the Company Secretary, on our website and locally from our shopping centre management offices. We raised CSR related issues in our meetings with stakeholders as appropriate.

Investor relationships
We continue to have a constructive dialogue with our shareholders, including our CSR strategy as an integral part of our business processes. These meetings are either on a one-to-one basis or with representatives of shareholder groups. During the year we arranged a full programme of presentations to current and potential investors, bankers and other organisations in the United Kingdom, Continental Europe, USA and South Africa. Our Chief Executive and/or Finance Director met with over 101 investor groups, 35 of whom were overseas. We arranged five visits to our properties by investor and similar groups during the year. We welcome the opportunity to discuss our approach to CSR related issues with representatives of groups who have a special interest in these areas.

Partnerships
We value highly the relationships with our co-investors and share common goals and objectives. We share ownership of a number of our shopping centres with local authorities, institutions and other organisations. During 2005 we invested £653 million to become a partner with Prudential as joint owner in two shopping centres, Manchester Arndale and The Mall at Cribbs Causeway, Bristol. Prudential will continue to provide daily operational management of these centres with strategic decisions being taken at Partnership level.

Both we and Prudential share similar aspirations for the long-term growth of these landmark properties. Discussions have taken place about adding further projects to Prudential's well established "Grass Roots" and "4 Youth" community programmes at both properties and to extend where appropriate these initiatives in association with British Trust for Conservation Volunteers (BTCV) and Crime Concern respectively to our 10 directly managed shopping centres in the UK.

Government and local authorities
As a major property investor and developer we participate in the formulation and development of new planning policies and guidance at both national and local levels.

We work closely with Local Authorities and Regional Government Departments and have considerable first hand experience of the application of National Planning Policy and the town planning processes. In locations where we have either development proposals or existing shopping centres we would comment on Structure Plan Reviews, Local Plan Reviews and Area Action Plans.

As part of our development projects we prepare Area Wide Development Briefs, Environmental Impact Studies and Traffic Assessments as part of the planning process. These require considerable management resources and form a major part of the work of the development team during the period leading up to a full planning application.

Working with our retailers
Our relationship with retailers is a prime focus of our business. We continue to foster strong links at all levels to ensure that we provide at our UK shopping centres the quality of service expected of us in a highly competitive environment.

The allocation of relationship managers to specific retailers has proved particularly beneficial and has resulted in more regular and consistent communication. This has underpinned the development of a better understanding of the retailers' businesses within our centres and encourages more open discussion of our respective business strategies.

Having introduced more efficient standardised procedures specifically for the shopfitting and alteration process, identified as a priority by retailers, we have widened the consistency of procedures across the portfolio of our directly managed shopping centres. As a result, we are distributing new Retailer Handbooks to all retailers to provide them with all the information necessary to carry out their business in our centres efficiently and safely, and to provide a ready reference source. We have also taken the opportunity to incorporate our appropriate policies to illustrate our commitment to all stakeholders in our centres and the standards which we set ourselves.

Community involvement
Community involvement has continued to be a major focus for 2005. This year, we have sought to build on existing strong local programmes by introducing additional national initiatives which can be taken up at each centre. As a consequence, we have identified three national projects on which to focus involving children, youth and education. Pilot projects are underway and these are described on page 9. Following a review to identify best practice, benefits and any lessons learnt, the projects will be extended to other centres.

Related policies

- Communication
- Community
- Shopper
- Occupier
- Supply Chain

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

Community involvement
CSC is developing pilots of three major community projects. All three have children, youth or education as a central theme. Our intention is to partner three projects that will help children from the age of three up to young adults. The three organisations are very different, and tackle a variety of problems across a spread of age groups.

I CAN
The charity, I CAN, is a UK wide organisation dealing with children who have communications difficulties. Their vision is a world where all children have the communication skills to achieve their potential. The charity's special focus is the one in 10 – that is 1.2 million – children across the UK with a communication disability. They believe every child should receive the support they require to develop their communication skills so they can flourish and realise their potential. Without the right help, at the right time, these children will be excluded and left behind.

The Potteries Shopping Centre is working with I CAN to "Make Chatter Matter" in and around Stoke-on-Trent, particularly amongst parents of pre-school children. All parents need to understand the importance of communication skills for children to become familiar with the appropriate learning thresholds and gain practical knowledge to help their children develop these vital skills at home.

The Potteries and I CAN have developed a strategic action plan to raise awareness and create fundraising opportunities. The Potteries is directly funding the development of a Chatter-Chart to be given away free to local parents of pre-school children, and is helping I CAN reach out to local families through events and activities at the centre. One of the key projects is The Wall of Words; constructed by the centre, it showcases the favourite words of local children. The "Wall" celebrates the importance of words and serves to symbolise the barrier faced by some children. Local schools taking part have a chance of winning centre gift vouchers, and the centre is also donating 50p to I CAN for each word submitted, raising £1,000 for their funds.

Other centres will be working with their local I CAN branches to provide similar support in the coming year.

1

The Prince's Trust
We are having exploratory discussions with The Prince's Trust to identify opportunities for promoting their activities in the UK through our shopping centres. The Trust's principal aim is to help disadvantaged young people between the ages of 14 and 30 realise their potential and transform their lives through practical support, including training, mentoring and financial assistance. Working alongside the Trust we will be helping achieve this aim and fulfil our objective of engaging with the younger generation within the communities we serve.

2

Retail in Education – A partnership with Newcastle Education Business Partnership
To support the National Vocational Skills Programme for Year 11 students, CSC has joined with the Newcastle Education Business Partnership (EBP) to pilot a programme of support for retail related courses, BTEC Foundation Course, Level 2 and BTEC National Course, Level 3, to Gosforth High and Kenton Schools respectively, aimed at promoting retailing as a career option for school leavers. This programme enables us to work with our retailers to provide support for a qualification which will provide long-term benefits to the student and the retail industry.

Newcastle EBP worked closely with Eldon Square Management Team to prepare the courses. Teachers from the schools involved spent four days in the centre on a Professional Development Programme researching the industry and drafting materials for the CD ROM and Student Placement Workbook. Students spent four days developing communication skills and identifying retail employability skills, using role play to focus on Selling and Customer Service.

The pilot programme involves 21 students being placed with participating retailers: John Lewis, Fenwick, Boots, Superdrug, Eden, Collectables, Oil & Vinegar, Park Lane Cards, Perfume Point, and Whittard of Chelsea. Foundation Course students spend one day per week with retailers over a period of 30 weeks; Level 3 students have longer term placements.

The prime purpose of the placements is to provide the students with access to elements of the qualification which can only be delivered in the workplace. These include merchandising and display, stock control and security, retail finance, forecasts and performance, retail marketing and promotion, leadership and supervision in retailing and customer service. Whilst the introduction to retailing is the main purpose of the project, the students will also gain valuable experience in communication and team-work skills.

At the end of the placement period, the students will initiate the production of a resources pack, including a CD ROM, and a dedicated newspaper publicising the project, capable of being distributed as part of a process of offering the programme nationally.

1 The Lord Mayor and Lady Mayoress of Stoke-on-Trent at the launch of the "Wall of Words".

2 Ashraf Hussain from Gosforth High School is involved in the BTEC Retail project.

I can helps children communicate

Prince's Trust

ebp Newcastle Education Business Partnership

Our UK shopping centres are at the heart of their local communities, providing a place for trade, commerce, social interaction and entertainment. Our General Managers and their teams develop close relationships with their communities and identify opportunities to make a positive contribution to local life. Each centre team is able to choose the most appropriate activities for their area.

We have made further progress in developing strong relationships with local police at each of our centres, with two new on-site offices being opened by the police in 2005 bringing the total to five. This provides a convenient base for their operations and helps to strengthen links with the general public and thus provide a safe environment for our shoppers.

Job creation
In addition to our employees, we are proud that our shopping centres are the catalyst for the employment of an estimated 46,000 people by our retailers and other occupiers. Furthermore, a centre's sphere of influence in an area results in many thousands of other jobs in businesses that support and provide services to the centre and its retailers.

Shoppers
The ability to service customers' needs is of paramount importance both to CSC and to the retailers within our shopping centres. During 2005 we have established with our retailers a "customer service" forum at each centre to identify opportunities to improve service across all levels. For example, at The Glades, we have introduced mystery shoppers who regularly visit and assess standards for retailers and the centre against specific criteria. The feedback is then discussed with improvements implemented throughout the centre. This principle will be extended to all CSC centres during 2006.

In conjunction with the work done through the customer service forums, we have extended the understanding of our shoppers. In 2005, we standardised our approach to consumer research in all our centres with the establishment of a consistent programme of both shopper and non-shopper surveys several times a year. This provides detailed information and enables us to benefit from comparisons across the portfolio. As well as the factual demographics of the catchment areas of each centre, the research provides us with information on shoppers' aspirations and needs and their opinions on the shopping centre, its facilities and services.

We have also challenged our centre teams to define Gold, Silver and Bronze standards for each customer facing facility. Each centre measured itself against the agreed benchmark to determine how their own facilities compared and whether they were appropriate. In most cases, the existing standard was acceptable and, where this was not the case, the exercise is acting as a catalyst for change.

Donations
We have supported the community through a combination of direct charitable giving, the donation of time and resources and the facilitation of third party fundraising initiatives. In addition, the Liberty International Group centrally made donations of £143,000 to charitable causes, some £103,000 of which was made through the UK shopping centres.

We continue to support the work of charities local to our shopping centres in a number of ways. During the year, we facilitated some 400 cash collections in the malls, over 70 more than last year, raising an estimated £220,000. We also distributed to local causes some £50,000 donated by the public through fountains, Christmas grottos etc. In the UK, we have given the equivalent of some £500,000 in cash and kind in community support including sponsorship of local causes, support for Town Centre Management and the provision of free mall space and services where appropriate.

The total sum of our direct donation of cash and resources totalled £643,000.

Supply chain
We fully recognise the wide range of potential impacts arising from our supply chain as it relates to the development of our property portfolio and the procurement of the products and services for their management and operation. Where possible we use suppliers local to our operations and our policy is to pay suppliers within the contractual terms of settlement.

The supply chain policy formalises our working practices and takes forward in a structured way how we work in partnership with our suppliers. The key objectives of this policy are to:

- Further minimise the social and environmental impacts when procuring goods and services.
- Identify the environmental and social issues associated with the main products and services we procure.
- Work with direct suppliers who meet all legal, environmental, Health & Safety and employment requirements.
- Identify and procure sustainable alternatives where appropriate.

During the year, we have held several meetings with key suppliers to understand how we can learn from each other and work together to implement CSR through the supply chain. The outcomes of these meetings have helped to inform the policy.

UK Shopping Centres
With the proposed extension of the use of external service providers, the group's direct procurement of goods and services will be correspondingly reduced at the 10 shopping centres we manage ourselves. We have however undertaken a robust process in selecting specialist service providers and ensured through our contracts that our CSR policies will continue to be applied.

We work closely with our external service providers and their employees are a fundamental part of the team at the shopping centres. We encourage the ongoing training of their employees – for example, external providers' cleaning staff at The Glades and the Chimes achieved appropriate NVQ certificates during the year. The service provider at The Glades was also runner up in the cleaning industry's Golden Service Awards for its work in the centre.

Development and refurbishment
The procurement of services and materials for development and refurbishment is covered by both the Supply Chain Policy and our Environmental Policy and Guide (see page 12).

3,600 hrs
of community involvement

£500,000
community support donated by UK shopping centres

£143,000
group charitable donations

Enhancing the community

Civic art at Chapelfield, Norwich

Civic Art features strongly at Chapelfield which opened in September 2005. Local artists worked as part of the development to ensure that the art fitted in with its surroundings. Chapelfield is a regeneration of a former Nestlé chocolate factory and the history of the site is celebrated in the civic art. Frieze panels showing the history of chocolate are incorporated in the mall finishes. Three interpretive panels, one of which includes a poem written by a factory worker, talk about life in the factory and the factory itself is recorded by other elements such as preserved cocoa grinding wheels.

A new city landmark, the Chapelfield spire (seen far right, being installed), is a soft semi-transparent ovoid, lit at night to provide ever changing patterns. The historic St. Stephen's Church lies at one side of Chapelfield. We have supported the church in the renovation of the churchyard to provide an important linkage between the city and the new Chapelfield Quarter (see cover photo) and specially commissioned railings depict the history of St. Stephen.

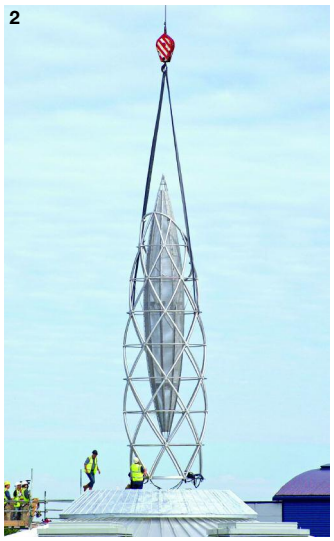
Oxford 2015 – Dreams, Plans and Visions

The Westgate Partnership worked with Modern Art Oxford to sponsor Oxford 2015, which involved 10 days of exhibitions, displays, talks, workshops and art events. As part of the project, a group of local Year 10 students worked on The Driftwood Arts Project, which encouraged them to consider art within the urban context. Their findings were the basis for maps, drawings and models about Oxford, now and in the future. The project was led by local artist, Katy Beinart, who helped the students prepare the final models, each of which represented "The Evolving City of Tomorrow". An exhibition was attended by many local people as well as the architects of the Westgate scheme, who talked to the students about their ideas.

USA

Capital & Counties USA continues its community programme through the shopping centres. The Farmers' Market in Serramonte continues to grow and now operates year round. This year, Plaza Escuela partnered with Walnut Creek Downtown Business Association (WCDBA) and Stead Motor Group to host a summer jazz concert series. Stage and seating areas were constructed on Locust Street which bisects the east and west sides of Plaza Escuela. A series of booths alongside the venue enabled centre retailers to promote their businesses. WCDBA promoted their community activities and events. Walnut Creek's Mayor was a special guest announcer during one of the concerts which attracted a growing audience as the series progressed.

1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1 The new churchyard railings in Norwich.

2 The installation of the spire at Chapelfield.

3 The Westgate Centre Manager with the students and some of their work.

4 Jazz in the open air, Plaza Escuela.

Environment

As one of the UK's leading property companies, we have established a reputation for a responsible and forward looking approach to environmental issues and this is reflected in our continuing success in the industry. We have long recognised the mutual benefits of taking account of our impacts on the environment and the opportunity we have to contribute positively to the regeneration of the built environment.

Development

As well as being a substantial investment and management company, we actively undertake refurbishment of existing investments and development of new projects. This year, Chapelfield in Norwich was completed on our behalf, the first phase of the Manchester Arndale extension opened, and work started on the remodelling and partial redevelopment of Eldon Square shopping centre, and on the office development CPC4 in Cambridge. Refurbishment continues at MetroCentre and smaller projects are underway at many of our shopping centre and office properties.

The Environmental Policy, supported by the Environmental Guide, form a key constituent of the design and management of our development and refurbishment projects; the policies are incorporated into our project approval process. During the year, these documents have been reviewed and updated to reflect latest best practice, and are available on our website www.liberty-international.co.uk.

Our development and refurbishment projects are undertaken with a team of specialist consultants who advise us on best practice and buildability, taking account of the relevant BREAAM standard. An Environmental Statement is prepared for all major projects which includes issues such as environmental impact, environmental performance statements, and energy and access statements.

We award the construction contract to a company with the necessary skills and experience to complete the work to our specification, timetable and budget. We ensure that the contract prohibits the use of deleterious materials and includes working practices that minimise environmental and social impacts during the construction period.

All our current planning proposals incorporate the latest design and construction techniques to encourage an environmental approach to the use of the buildings and will aim to meet "very good" BREEAM ratings. We are working with the Carbon Trust to ensure that opportunities for efficient energy operation are incorporated into all our projects.

Related policies

Environmental (supported by Guide)

Supply Chain

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

Regeneration of brownfield sites

100 per cent of our development programme is on brownfield land, underlining our commitment to the regeneration of our towns and cities, bringing new economic vitality to the community with the consequential benefits for employment and local facilities.

Shopping centres (open)

	Year opened	Pre-development land use
Lakeside	1990	Redundant quarry
MetroCentre	1986 (purchased 1995)	Redundant power station
Braehead	1999	Redundant industrial area
Harlequin	1992	Derelict and underused town centre sites
The Glades	1991	Derelict and underused town centre sites
The Chimes	2001	Derelict and underused town centre sites
Eldon Square	1976	Derelict and underused town centre sites
Victoria Centre	1972	Closed railway station
The Potteries	1988	Derelict and underused town centre sites
Chapelfield	2005	Regeneration of disused chocolate factory
Manchester Arndale	1976 (purchased 2005)	Regeneration of city centre site including bomb damaged area
The Mall at Cribbs Causeway	1998 (purchased 2005)	Development of rezoned agricultural land to support economic growth following the closure of local industries

Shopping centre development

	Anticipated completion	Pre-development land use and proposals
Eldon Square (Newcastle)	2006–2009	Partial redevelopment and extension of city centre site to provide new bus station, modern retail units and public realm improvements
St David's 2 (Cardiff)	2009	Regeneration of city centre site to provide modern retail space, residential accommodation, a new library and public realm improvements
Westgate (Oxford)	2010	Regneration of old car park and city centre site to provide modern retail and residential accommodation and public realm improvements

Commercial development

	Anticipated completion	Pre-development land use and proposals
Capital Park (Cambridge)	2000-2006	Restoration and conversion of redundant hospital to provide modern office accommodation
190, Strand (London WC2)	2010	Redevelopment of city centre site to provide modern office, retail and residential accommodation and public realm improvements
King's Reach Southwark (London SE1)	2009	Refurbishment and partial redevelopment of city centre site to provide modern office and retail accommodation and public realm improvements
The Headrow (Leeds)	2007	Refurbishment and upgrading of old department store to provide modern retail and office accommodation and new residential apartments
Metropolitan Wharf London E1	2007/8	Refurbishment of listed riverside warehouses to provide space for start up businesses

Public consultation and development communication
It is fundamental to our approach to development that we consult with the local community as we develop our plans for the regeneration of a site. During 2005, we have been involved with promoting four major schemes, two in London, one in Leeds and one in Oxford. All the schemes are mixed use incorporating retail, offices and residential elements, enhancing the diversity of the area.

King's Reach, London SE1
The refurbishment and remodelling of King's Reach, an office, retail and residential complex just south of the River Thames has been given the go-ahead by the London Borough of Southwark. The proposals will continue the regeneration of this important part of London's South Bank and revitalise the area. The scheme involves the recladding and remodelling of the existing landmark tower, which will be transformed by a new coloured cladding system that incorporates high levels of insulation and solar control together with a natural ventilation system, vastly reducing energy consumption. The redevelopment of the surrounding area will create new buildings of originality and high architectural quality which will provide modern office and retail space and an enhanced public realm. The proposed scheme has been the subject of extensive local consultation, which has influenced the final design. Three exhibitions were mounted for the local community and many special presentations were made to interested parties.

190 Strand, London WC2
Our joint proposals with Prudential for the redevelopment of the Strand Estate, an office, retail and residential investment just north of the River Thames have received a resolution to grant planning. The site lies in the Central Activities Zone, in the Strand Conservation Area and opposite Wren's St Clement Danes Church, a Grade 1 listed building.

The proposals involve the complete demolition of the existing buildings and their replacement by a high quality building with modern office and retail accommodation. Two separate residential buildings will provide both private and affordable apartments. The proposals will regenerate this important part of London, making it an attractive place to work and live. The redevelopment is a great opportunity to repair the urban fabric and to create a more fitting setting for the adjacent listed building and the new building has been designed to respond to the sensitivities of the location. Substantial improvements to the public realm will introduce traffic calming, strengthen pedestrian links and enhance the landscaping. Lengthy consultation with local interest groups was undertaken and we also held a public exhibition which was visited by many of our neighbours.

24 The Headrow, Leeds
The high quality mixed-use refurbishment and redevelopment of the former Allders department store, one of Leeds' landmark buildings, has been granted planning consent. The proposed scheme will regenerate the old department store, reinvigorating the street frontages by introducing unit shops at the lower levels, complemented by office use at the upper levels, bringing underutilised space back into beneficial use. The top floor will include residential apartments. Our public exhibition generated keen interest and support from local interest groups and several special presentations were made to our neighbours.

Westgate, Oxford
The Masterplan for the redevelopment of the Westgate area of Oxford received support from Oxford City Council in October 2004. Since the Masterplan was published, CSC has been reviewing and responding to issues raised by local people and has reconsidered a number of aspects of the scheme which were brought together in a formal response document.

The next stage was a consultation to gauge the views of local people on our initial design proposals. We made presentations to the Council and other stakeholder groups, held focus groups for members of the public and other interested parties, and mounted an exhibition in the mall which provided comprehensive information and featured small models to illustrate the different elements of the design. Our proposals on sustainability and landscaping were also included. A newsletter summarising the information was widely circulated. The local community responded enthusiastically to the consultation. Thousands visited the exhibition, which was manned throughout by members of our team, and gave us their views. Overall, around 84 per cent rated the designs good, very good or excellent.

Managing the change
An important element of any development programme is communicating with the local community to minimise the disruption by explaining the necessary changes to traffic and pedestrian movement, whilst ensuring that everyone knows what progress is being made.

Work has just started on the first phase of the remodelling and redevelopment of Eldon Square in the heart of the city of Newcastle. During the planning of the three schemes that make up the project, extensive public consultation was undertaken. Now that building is underway, the communications strategy has been implemented. Leaflets and posters have been produced to explain the work, and site specific signage helps shoppers to move easily around the area. The website provides artists impressions and plans, and regular bulletins will be published to report on the progress of the development.

In Cardiff, where work on St David's 2 will start in 2006, a visitor centre has been established where local people can view the model and learn more about the different elements – residential, shopping, the new department store, state-of-the-art library – that make up the project. Specific leaflets have been produced to explain the service diversion works that have been taking place over recent months.

Public consultation in the Westgate Mall.

Ongoing regeneration at Braehead

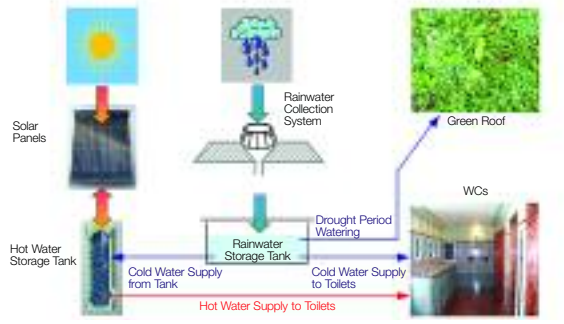
The regeneration of CSC's land adjacent to the River Clyde between Braehead and Renfrew advanced significantly during the year with the implementation of the next phase of our regeneration project – a brand new 7 acre public park called Clyde View Park and the re-opening of Kings Inch Road as a new four lane boulevard, connecting Renfrew town centre, the Renfrew ferry and Braehead shopping centre. The new road will improve traffic management and play a key role in servicing new offices, Xscape Braehead and nearly 2,000 new homes.

Clyde View Park, named by a local resident, is the first new park to be built in the West of Scotland since 1994. Featuring fountains, paths, cycleways, play areas, picnic areas, artwork, green space and a riverside walkway, it has been designed to encourage natural wildlife, flora and fauna, including an otter's holt to help the laying up of otters in the Clyde.

A sustainable approach in Oxford

CSC's proposals for Westgate in Oxford incorporate the latest design and construction techniques to encourage an environmental approach to the use of the building and will aim to achieve "Very Good" ratings for BREEAM for Retail and EcoHomes for the residential element. The design process capitalises upon opportunities to use resources and materials in a sustainable manner, for example, the efficient use of energy, the use of materials from renewable sources, the management of waste through the life cycle of the development, and the use of recycled or reclaimed materials. The heart of the scheme will comprise naturally ventilated streets, with glazed roof areas and shading designed to optimise daylight levels whilst preventing overheating in the summer months. Retailers will be encouraged to use energy efficient measures as part of their fit-out and the roof of the Market Building, in particular, has been designed to maximise these opportunities. Other initiatives under consideration include:

- high efficiency lighting with daylight sensors;
- natural ventilation to the above ground car park with fume sensor controlled operation of fans serving the below ground areas;
- borehole heating and cooling, combining "free-cooling" and high efficiency heat pumps to reduce energy consumption;
- a "green roof" over the Garden Building to rescue solar gain, minimise rainwater run-off and provide a local habitat;
- solar panels for the generation of hot water for public toilet and centre management areas;
- rainwater collection for landscape watering and for use with the public and centre management toilets.



Energy

We have made substantial progress during 2005 on our programme of improving energy efficiencies throughout our investment properties. Measures that we introduced in 2004 have been successful in reducing energy consumption and we aim to continue this trend in future years, subject to external climate factors being broadly consistent.

It is important to note that, by its very nature, a property portfolio is always changing and year on year figures are therefore unlikely to be strictly comparable. We propose to continue to report our total energy use, highlighting major portfolio changes where appropriate.

UK shopping centres

We continue to build on the achievements in previous years and to identify opportunities to improve energy efficiency through monitoring at our 10 directly managed UK shopping centres.

Comparing 2005 to 2004, we have achieved a 3 per cent reduction in energy consumption, despite longer trading hours at most centres and an increase in managed space and facilities. The reduction in consumption translates into a saving of 686 tonnes of carbon dioxide (CO_2), an improvement of 1.7 per cent on 2004. This is a commendable achievement, even though our figures were helped by another comparatively mild winter.

Only MetroCentre increased energy consumption and this was due to the opening in October 2004 of the New Red Mall, which comprises additional retail and associated mall space, a new 1,100 space multi-storey car park and an enclosed Transport Interchange. In addition, night work took place there from January to September 2005 on the programme of retiling and other refurbishment works in the malls which necessitated additional lighting and heating. Night work was necessary to ensure minimum inconvenience to our retailers and shoppers.

The half-hourly metering supply (over 100 kWh) at eight of our centres is certified 100 per cent supplied from renewable sources via generation that is exempt from the Climate Change Levy which reduces the CO_2 emissions. This represents approximately 82 per cent of the electricity consumed at nine centres excluding Chapelfield.

We have set targets at centre level for 2006 and aim to achieve a reduction of 5 per cent in energy consumption across the directly managed UK shopping centre portfolio.

Electricity and gas consumption

101 million kWh
38,691 tonnes of CO_2
(104 million kWh 39,377 tonnes of CO_2 – 2004)
– for nine directly managed UK shopping centres

27.2 million kWh
7,922 tonnes of CO_2
(29 million kWh 8,471 tonnes of CO_2 – 2004)
– in the UK commercial properties

During the year we acquired an interest in two shopping centres which continue to be operationally managed by our partner, Prudential. We are liaising with them on CSR related issues; they are monitoring energy usage and have a waste recycling programme in place. CO_2 emissions for the two centres for the six months since our interests were acquired to 30 September 2005 amounted to 4,679 tonnes.

Last year, we jointly funded a Carbon Management Scoping Study with the Carbon Trust. This Study involved the Trust and its consultants undertaking a full review of the UK shopping centres to identify areas of potential energy saving and efficiency options. We are now proceeding with the recommendations of that study to the next phase of a full Carbon Management strategy with particular emphasis on our new development at Oxford.

UK commercial properties

We continue to improve our systems for the collection of energy-use data where we control the supply, generally in the common parts of multi-let office premises. In 2005, carbon emissions, based on actual meter readings and estimates where necessary, amounted to 7,922 tonnes of CO_2, a reduction of 6 per cent compared with 2004.

Recycling initiatives

The Chimes

In 2005, The Chimes recycled 27 per cent of its waste, an increase from 13 per cent the previous year. This was achieved by widening our recycling to include office paper, car park tickets, magazines, wood and plastic. In addition, new, more efficient baling equipment for cardboard and plastic was introduced during the year and there was a reduction of 23 per cent in the number of waste contractor vehicle movements.

Centre management and cleaning staff increased retailer awareness of recycling initiatives through an active communication campaign and information about the centre's recycling is promoted through the internal retailer "Chimes Chat" magazine. In particular, the retailers are actively supporting the Paper planet recycling scheme for posters, glossy brochures, etc.

The Glades

As a significant part of the Bromley community, The Glades has been passing on its recycling expertise and has been supporting Ravensbourne School in helping students to understand more about waste and recycling. The Glades team has visited the school to talk about our approach and the students and teachers have visited the centre to see recycling in action. The centre has also provided recycling vessels for communal areas of the school and supported competitions to encourage recycling by the students.

Waste

In 2005, we set individual targets at eight UK shopping centres for on-site waste segregation and recycling (we do not handle retailer waste at Eldon Square). The aim was to double the performance for 2004 and recycle 34 per cent across the group. We achieved a creditable 29 per cent for the full year, and exceeded the 34 per cent target in the second half of the year when our new initiatives were fully operational. Overall we handled 800 tonnes more waste than in 2004 but 1,100 tonnes less was disposed of as general waste, an increase in segregated waste of over 1,900 tonnes.

For the second year in succession, The Glades was the top performing centre, recycling just under 50 per cent of their waste. The greatest improvements were shown by The Chimes, from 13 per cent to 27 per cent and The Harlequin, from 26 per cent to 41 per cent.

We are confident that we will continue to increase the proportion of waste that we segregate on site, particularly as our initiative is gaining the support of many of our retailers. We have therefore set the centres challenging targets for 2006 resulting in a collective target of 40 per cent.

The UK shopping centres continue to introduce new recycling streams, which now include cardboard, paper, wood, metal, glass, polythene and plastics as appropriate to local demand. We are trialling other initiatives such as recycling magazines and other redundant retailer marketing material, coat hangers and providing facilities for use by shoppers to recycle paper, glass and aluminium. We are negotiating with a company to take away retailers' surplus roll cages for refurbishment and reuse.

It has always been our preference to dispose of residual waste through energy from waste ("EFW") but our progress continues to be frustrated by a lack of suitable facilities in appropriate locations. Since we reported last year, we have been excluded from the EFW facility that accepted waste from one of our largest centres and this has had an adverse effect on our progress towards our stated aim. As a consequence, the proportion incinerated for energy has fallen from 43 per cent to 19 per cent and that sent to landfill has increased from 36 per cent to 51 per cent. Even when we can access EFW sites, the operators charge more than twice that of the landfill equivalent, far in excess of the landfill tax burden.

Waste handled

15,800 tonnes
(15,000 – 2004)

29%
recycled (19% – 2004)

19%
incinerated for energy (43% – 2004)

1%
incinerated (2% – 2004)

51%
sent to landfill (36% – 2004)
in eight UK shopping centres

Waste disposal is a serious problem and we welcome the Government's publication of a consultation paper on the subject.

We have engaged a specialist consultancy to advise on sustainable initiatives and collate the waste and recycling figures on our behalf. They carried out audits at the shopping centres in January and November 2005. The first audit reviewed the waste management and recycling practices in place at each centre and provided advice and recommendations. In November, they revisited each centre to review progress and to audit the figures reported in this document.

Water

Whilst we are not large users of water at our shopping centres, we continue to take opportunities to reduce water consumption, and initiatives such as measured flow water fittings and dual control flush on toilets have been introduced as refurbishment takes place. We have however encountered a number of obstacles in the collection of robust data for water consumption. At one centre the water company has changed its approach and we are now held accountable by the supplier for all water used at the centre, including retailer consumption. At another centre the water meters are not easily accessible, making reading physically impossible. We are solving this problem by the installation of electronic reading instrumentation. Billing inconsistencies continue to cause problems and consequently the data we report this year remains incomplete. However, we estimate that for eight centres, water consumption was 159,500m^3. We are now establishing an internal water meter reading programme which will provide base line data for the future.

USA

Our investment portfolio in California, USA predominantly consists of four shopping centres and offices in prime downtown locations. We have been collecting energy data for the nine months from the beginning of 2005 to the end of the CSR data year. Electricity usage in four shopping centres and the office portfolio was 18.169m kHw and the water consumed was 62.408m US gallons. Waste data in respect of both the shopping centres and offices is not available on a consistent basis due to the different bases adopted by local authorities for collecting waste. It is our intention to develop the systems for collecting this data.

Transport and travel

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 closely with the local transport operators, local authorities and Central Government to identify opportunities to introduce improved public transport facilities. Our Sustainable Travel Manager is ensuring the ongoing promotion of sustainable travel both through existing centres and in the new developments.

With increasing pressures on the road network, work has continued throughout 2005 on joint promotions with public transport operators to encourage more of our customers to arrive by public transport.

Travel Plans have been produced at MetroCentre and Chapelfield and actions from these Plans are now being implemented; appropriate plans will be rolled out at other centres during 2006 and 2007.

Car sharing

Working with the Local Authority, The Potteries is supporting and promoting a city wide car sharing scheme. The Stoke-on-Trent Share a Lift Scheme, started in 2005 and reached its 500th member in December. Posters, leaflets and newsletters are available at the Council Offices and in the shopping centre, giving workers all the information they need about the Scheme and how they can get involved. The intention is to develop the Scheme by providing a dedicated computer at the Customer Service Desk which can be used by shop and centre staff to log in and find possible matches with whom to share lifts to and from work. Members are incentivised by a monthly prize draw; November's prize winner won £50 of Potteries Shopping Centre Gift Vouchers. Lakeside Shopping Centre is working on the introduction of Lakeside Liftshare in support of the Thurrock Council's Green Travel Plan and it is hoped to launch the scheme in the new year.

2005 Transport links to our UK shopping centres

	Shoppers not using cars*	Bus station	Bus stops	Number of buses per year†	Coach park	Coach visits per year	Railway within 10 mins walk	Number of trains per year	Taxi rank	Cycle parking	Other transport	Car visits per year‡
Lakeside	11%	✓		110,725	✓	715	on site	26,876	✓	✓		7,677,500
MetroCentre	23%	✓		434,000	✓	3,811	on site	32,760	Freephone	✓		7,253,900
Braehead	23%	✓		256,446	✓	549			✓	✓	river bus	n/a
The Harlequin	28%		✓	192,000			✓	10,800	✓	✓		3,478,500
The Glades	51%		✓	273,527			✓	76,990	✓	✓		1,527,400
The Chimes	38%		✓	260,566			✓	63,221	✓	✓		1,728,400
Eldon Square	72%	✓	✓	236,696			✓	168,000	✓	✓		589,300
Victoria Centre	71%	✓	✓	555,894		60	✓	81,253	✓	✓		1,427,000
The Potteries	34%		✓	72,023		15			✓	✓		1,028,000
Chapelfield	59%		✓	400,000					✓	✓		n/a
Manchester Arndale	65%	✓	✓	220,222			✓	n/a	✓	✓	Metrotram	n/a
Cribbs Causeway	7%	✓		190,000	✓	525			✓	✓		5,350,700

*Figures from customer surveys, footfall counters, etc †Estimate ‡Centre car parks n/a Figures not available

Car sharing schemes result in cheaper travelling costs for employees, and less traffic on the roads, thus reducing pollution. We are piloting their introduction at our shopping centres, working where appropriate with the local authority.

Business travel and staff commuting
Active management of the property portfolio, which is core to the success of our business, requires frequent visits by our staff to our shopping centres, retail and office properties.

A significant proportion of our business travel needs are supplied by public transport, and staff are encouraged to make use of public transport facilities where these are a viable option relative to the requirements of our business. Air travel is utilised where it is the only realistic option available.

The majority of staff located at London office utilise public transport when commuting and we provide storage and facilities for those using bicycles. Employees at our shopping centres commute utilising the most appropriate mode of travel.

Transport initiatives keep Norwich moving
Long before Chapelfield welcomed its first shoppers in September 2005 transport and travel were high on the agenda. Chapelfield is a major new development in the city of Norwich and it was obvious that managing an influx of thousands of additional shoppers together with all the new staff working at the centre would put some strain on the city's already stretched transport infrastructure. Working with the local community a number of innovative solutions were developed.

CSC's Sustainable Travel Manager drew up a Travel Plan for Chapelfield in consultation with representatives from a range of local businesses and the Local Authorities. The plan was submitted to, and approved by, both Norfolk County Council and Norwich City Council.

Several key initiatives were developed and delivered, including: an additional Park & Ride site to the south west of Norwich; the installation of a new pedestrian crossing linking Chapelfield with the residential area to its south; discounted travel for staff using bus and Park and Ride facilities and the production and distribution of two guides to the sustainable travel options within Norwich and from surrounding areas. They are entitled "Working at Chapelfield" and "Coming to Chapelfield" and highlight the whole range of transport choices from walking and cycling to public transport options and car share.

The "Working at Chapelfield" travel guide was produced in partnership with JobCentre Plus and launched at the Recruitment Fair in May to assist and encourage potential employees in making a sustainable choice of travel to work. The guide continues to be used at Job Centres throughout the region and Linda Fisher from JobCentre Plus won the regional recruitment award for "Best Consultant" for her work with Chapelfield and securing 1000 jobs during the campaign. "Coming to Chapelfield" was then produced as a customer guide and is available at the centre and through various outlets.

Health & Safety

Liberty International places the highest importance on the Health and Safety ("H&S") of its employees, occupiers and shoppers. We are committed to delivering high standards across all aspects of our operations and are acutely aware of the paramount need to offer our shopping public a secure and safe environment in which to shop. Every practical step is taken to achieve this objective and we work with the local police and industry bodies to ensure we respond to heightened security alerts.

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. Currently we have three H&S Committees comprising representatives from all levels of the business. The role of the Committees is to review new legislation, oversee H&S progress and review a full accident report. Additionally, a H&S Forum is established in each shopping centre.

We have a programme of H&S awareness training; such issues form part of our induction procedures and are reinforced through additional job related courses. Currently Health & Safety issues are reported to the Board through line management.

We believe that we comply with all relevant legislation and have a process in place to monitor any changes. We continue to work to ensure that the disabled facilities in our properties meet the requirements of our shoppers and occupiers. We upgrade our facilities whenever possible and we believe all our premises are DDA compliant. Following the completion of an asbestos audit across the portfolio, management procedures are in place where necessary. In preparation for the new fire regulations, Marsh Risk Consulting carried out fire audits at our directly managed shopping centres and has reported that a good and comprehensive standard of fire risk management practice is in place and that fire safety practices are of a high standard.

Performance
Our performance is monitored by external independent advisers, National Britannia. We keep detailed records of any accidents and are pleased to report that our low level of incidents has continued in 2005. Whilst, with over 200 million customer visits per annum to our shopping centres, minor "slips and trips" inevitably occur, reportable (RIDDOR) accidents for 2005 continued to be low at 19 (2004 – 39). In respect of our 862 employees there were 6 reportable accidents (2004 – 4). This is encouraging but we are not complacent and our target is to continue to work to improve still further the statistics.

External contractors engaged at our shopping centres and other properties, are required to provide full details of their competence to undertake the work before being granted a "permit to work" by our management staff.

National Britannia carry out annual review visits to all directly managed UK shopping centres and, in addition, unannounced visits are undertaken in order to audit the due diligence file and to check that the interactive H&S management system is being operated properly.

Review
During 2006, we intend to carry out a review of our Health & Safety management and reporting to the Board.

Related policy
Health & Safety
Policies are available on www.liberty-international.co.uk

The Value of People

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 in conjunction with the Remuneration Committee and the Board of Liberty International. Human Resources are formally reported as part of the Board agenda.

Policies

The overarching policy, our Business Code of Practice, sets out our approach to ethics. The Importance of People policy brings together our key objectives for our employees and how we aim to implement them, and the human resources policies address particular issues. These are set out in the panel below and can be found in full on our website. We have also reviewed our HR policies against the requirements of the UK Human Rights Act to ensure compliance. Whilst we believe in informality, our policies are designed to ensure that we continue to comply with both legislation and best employment practice.

Working environment

We provide a working environment which is stimulating and challenging, giving employees opportunities to reach both personal and professional goals whilst delivering business targets. We have strong corporate values of integrity and professionalism, and a firm belief in an open culture. We aim to bring out the best in people, by providing them with clear objectives, ongoing feedback and allowing them to be as innovative and creative as possible.

This working environment 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.

Staff turnover

The company has an experienced core senior management team which leads our employees to deliver outstanding results for shareholders. We recognise that there is a risk to the business of members of senior management leaving the organisation. We aim to reduce this risk by continuing to develop our employees at all levels. We consequently have a low staff turnover at a senior level and our incentive schemes for key employees establish performance hurdles which are linked to key business objectives including, where appropriate, CSR related issues. Succession planning issues for our senior management are considered by the Nomination & Review Committee and the Board.

Shopping centre operations

We strive continually to improve the value of services delivered to retailers and customers and during 2005 CSC carried out a comprehensive review of operations at our shopping centres, involving input from both employees and external service providers. Nearly 50 per cent of our shopping centre operations departments were already outsourced and following the review, we have decided to further streamline our operation and extend the use of external specialist providers to deal with all security, cleaning, car parks, customer services, technical services and some associated administration. Following a rigorous selection process, we have selected three companies to work with in the future. Each has demonstrated the ability to deliver services of the quality and consistency we require at a competitive price.

Related policies

Business Code of Practice (see page 20)

The Importance of People

HR policies

- Adoption Leave
- Data Protection
- Discipline & Capability
- Dismissal
- Equal Opportunities
- Gifts
- Grievance
- Harassment
- Hospitality
- Information and Communications – Acceptable Use
- Maternity Leave
- Parental Leave
- Paternity Leave
- Time Off for Dependants
- Whistleblowing
- Working Time

Policies are available on www.liberty-international.co.uk

At 31 December 2005

884*
Total number of employees including 51 casuals

79%
Full-time

15%
Part-time

6%
Casual

6
Number of grievances

0
Number of whistleblowers

*These numbers will reduce during 2006, reflecting the transfer to external service providers as set out above under "Shopping centre operations".

Pension scheme membership

78%
of management

64%
of eligible employees

Employee retention

86%
of management

81%
of all employees

Female employees

34%
of management

41%
of all employees

Internal promotion

49%
of management vacancies filled internally

They use modern working practices and have a commitment to staff development. An in-house senior management team will continue to oversee the efficient operation of each centre and to lead the centre team which in future will comprise both directly employed and outsourced employees at all centres. A Transfer of Undertakings (Protection of Employment) "TUPE" consultation process is underway and the changes will be implemented during 2006. Following completion of these changes, it is anticipated that the staff directly employed by the group will be reduced to approximately 330 from 833. This reduction in the number employed will not materially alter the statistics in the box opposite except that the total percentage of female staff will increase to approximately 50 per cent.

Internal promotion
We encourage internal promotion. During the year, we have reaped the reward of our ongoing training and development plans with 49 per cent of our management vacancies filled by promotion. New Liberty International PLC executive directors, Kay Chaldecott and Richard Cable, have 21 and 18 years' service respectively; Martin Ellis and Caroline Kirby, who were appointed to the Capital Shopping Centres PLC Board, have worked for the group for five and 11 years respectively.

Remuneration
Liberty International aims to recruit and retain first class employees through appropriate overall benefits packages. Salaries for Directors and key employees are considered and reviewed annually by the Remuneration Committee, taking into account comparative salary data.

We encourage employee share ownership and details of bonus and long-term incentive arrangements are included in the 2005 Annual Report (page 70).

We also provide a range of benefits including life insurance, and pension benefits.

Induction, personal development and training
A comprehensive induction process ensures that new staff are provided with an appropriate and detailed 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 give detailed information on all internal procedures, processes and policies.

The group supports and encourages the personal development of employees. All employees are set objectives when they join the company and work with their line manager towards meeting them. The objectives are for both professional and personal development and, where possible, targets are measurable.

The aim of our training is twofold: to equip employees with the skills to perform their current role and also to develop them both personally and professionally. Our programme ensures that our employees have up to date training, based on needs identified between employees and their managers. In 2005 the total number of days spent by our employees training was 1,099.

Employee opinion research
We believe that we have an environment where employees feel that they can speak about the issues that matter to them. In 2006 we intend to gather some formal employee feedback in respect of our HR policies, procedures and practices and in other areas such as our CSR initiatives.

Employee communication
Every year we review our contracts of employment, employment policies and procedures. In 2006 we are planning to further improve on the format and presentation of these documents.

Staff are regularly provided with details of Share Incentive Plan and other bonus shares, outstanding share options, and their pension benefits.

Each year, the Chief Executive and other senior executives give presentations on the company's annual and interim results to our employees at all levels and other presentations and briefings are held during the year to discuss our objectives and progress. The Report & Accounts and CSR documents are distributed throughout the company and all press releases, job vacancies and other useful internal information are broadcast on the group's intranet.

Internal promotion
Vicki Sweet, who has recently taken up the position of Operations Manager at The Harlequin, is an example of our policy of supporting employees in their professional development and promoting staff wherever possible.

Vicki has long experience in retail, starting her career with C&A in 1989 as a payroll assistant. During the next 12 years, she undertook a variety of roles to develop a good all-round knowledge of the retail business including Facilities Management, Personnel Officer and finally national Customer Service Manager.

Joining Lakeside in 2001 as Customer Service Manager, Vicki soon took on the additional responsibility of event management within the marketing team. Recognising that her strengths lay in the operational side of the business, Vicki was moved to the role of Service Manager in 2004 and was successful in applying for the vacancy at The Harlequin in 2005. As her interest in the industry developed, she decided to study for the British Council of Shopping Centres Diploma in Shopping Centre Management, sponsored by CSC, and is about to start the final year.

Vicki says "Working for a retailer for so many years and then moving to the property industry has been extremely interesting. I have developed an excellent understanding of the whole process and this enables me to establish good links with our retailers, having experienced their side of the fence! Working for CSC at Lakeside has enabled me to develop my career and I'm very excited to move into my new challenge of Operations Manager at The Harlequin."

Policies

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 retail and commercial 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 polices. 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 & 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 retail and commercial property investment and development company. We are focused 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 create value for our shareholders 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

During the year, we and our staff received awards from many independent bodies, reflecting our determination to maintain the highest standards.

Reporting
BDO Stoy Hayward Property Accounts Award 2005 – Silver Award – Liberty International

Customer Service
Tom Hillier Award 2005 – Braehead Shopmobility
Loo of the Year Awards 2005 –
The Chimes – *Public disabled toilets*
Braehead – *Baby change facilities*
Harlequin – *5 star award*
Lakeside – *5 star award*

Security and Health & Safety
Association of Chief Police Officers – Park Mark Safer Parking Award (previously Secured Car Park Award)
Braehead (seven car parks)
Lakeside
MetroCentre – Red multi-storey car park
The Chimes
The Glades
The Harlequin (seven car parks)
The Potteries
Victoria Centre

British Safety Council 5 star award
MetroCentre – for the third consecutive year

Training
Sceptre Young Achiever of the Year 2005 – Braehead's apprentice, Paul Webster

BiTC Big Tick Award
MetroCentre – Safer Shopping Partnership

National Clean Air Award
Eldon Square – for achieving non-smoking status in its malls (which are adopted streets)

Benchmark indices

FTSE4Good
Business in the Community – Top Hundred Companies
Business in the Environment
JSE SRI Index
Morley Sustainable Investment
Storebrand SRI – Best in Class

FTSE4Good

BEST IN CLASS environmental and social performance STOREBRAND SRI

Sceptre Young Achiever of the Year
Paul Webster, 17, won this award presented by Fiona Perrin of sponsor Rentokil, for his work as a first year modern apprentice at Braehead. His apprenticeship in facilities maintenance means he attends college and receives on-the-job training at Braehead in heating, ventilation, air conditioning, electrical work, plumbing and gas fitting. The Sceptre Awards, organised by Shopping Centre Magazine, recognise best practice and best people in the industry. Paul is the youngest person ever to have won a Sceptre award.

BiTC
MetroCentre have won a Big Tick Award for their work in reducing crime, with excellent results showing that vehicle crime has reduced by 93 per cent.

The Award, championed by Business in the Community, was given for the MetroCentre Safer Shopping Partnership, a partnership between MetroCentre Management, the police, and our security provider and MetroCentre's retailers and several other outlying commercial enterprises.

Traditionally, crime at the Centre has been relatively low considering its size. In 2001, however, MetroCentre Management decided to harness the crime fighting elements and bring them together to form one united front.

Since the partnership formed, commercial crime has almost halved and vehicle crime has reduced by 93 per cent, attracting greater visitor numbers. The reduction in crime has allowed police more time to devote to the wider community.

MetroCentre's winning 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		2005	2004
	Direct Economic Impacts: Customers		
EC1	• Turnover	£434 million	£393 million
	• EBITDA (excluding valuation movements)	£286 million	£245 million
EC2	• Breakdown of markets by turnover	UK 92%, USA 8%	UK 93%, USA 7%
	Direct Economic Impacts: Suppliers		
EC4	• % contracts paid in accordance with agreed terms	100%	100%
	Direct Economic Impacts: Employees		
EC5	• Total payroll	£30.6 million	£29.1 million
	Direct Economic Impacts: Capital		
	• Total value of gross assets	£7.3 billion	£6.0 billion
EC7	• Increase in earnings per share (adjusted)	10%	5.7%
EC6	• Breakdown of capital	See Annual Report pg 51	See Annual Report pg 43
	Direct Economic Impacts: Public Sector		
EC8	• Total sum of taxes paid	£34.9 million	£25.4 million
EC10	• Donations made (including community support)	£643,000	£601,750

Environmental Performance

GRI Reference		2005	2004
	Environmental: Energy (also BiTC, FTSE4Good indicator)		
EN3	• Direct energy use (UK directly managed shopping centres)	101 million kWh	104 million kWh
	• Associated carbon dioxide emissions from direct energy use (UK directly managed shopping centres)	38.691 tonnes	39,377 tonnes
	• Direct energy use (UK commercial properties)	27.2 million kWh	29 million kWh
	• Associated carbon dioxide emissions from direct energy use (UK commercial properties)	7,992 tonnes	8,471 tonnes
EN5	**Environmental: Water (also BiTC, FTSE4Good indicator)**		
	• Total water use (UK shopping centres)*	159,500m^3	253,500m^3
	• Total water use (UK commercial properties)	64,000m^3	64,900m^3
	Environmental: Waste (BiTC, FTSE4Good indicator)		
	• Total waste handled (UK directly managed shopping centres)	15,800 tonnes	15,000 tonnes
	• Breakdown of waste disposal routes (UK directly managed shopping centres)	29% recycled 19% incinerated for energy 1% incinerated 51% sent to landfill	19% recycled 43% incinerated for energy 2% incinerated 36% sent to landfill
	Environmental: Biodiversity (BiTC, FTSE4Good indicator)		
	Additional Indicators		
EN6	• Location, size of land owned, leased, managed in biodiversity rich habitats	None	None
EN25	• Impacts of activities and operations on protected/sensitive sites	None	None
EN16	**Environmental: Compliance (also BiTC, FTSE4Good indicator)**		
	• Incidents of and fines for non-compliance with all environmental legislation	None	None
EN34	**Environmental: Transport (also BiTC, FTSE4Good indicator)**		
	Additional Indicators		
	• Significant environmental impacts of transport: associated carbon dioxide of travel to and within work	Not re-assessed in 2005 (survey conducted in 2003)	Not re-assessed in 2004 (survey conducted in 2003)
	• Breakdown of travel to shopping centres by shoppers	see page 16	see page 13
	Environmental: Brownfield (BiTC indicator)		
	• % of land developed on brownfield	100%	100%

* 2005 – eight centres, 2004 – nine centres

Social Performance

GRI Reference		2005	2004
	Social, Labour Practices and Decent Work: Employment		
	Core Indicators		
LA1	• Breakdown of workforce at 31.12.05	833 + 51 casual 79% full-time 15% part-time 6% casual	787 79% full-time 15% part-time 6% casual
	Additional Indicators		
LA12	• Local employment used	All	All
	• Employee benefits – eligible employees pension scheme membership	64%	62%
	Social, Labour Practices and Decent Work: Health & Safety		
LA5	• Practices on recording and notification of occupational accidents and diseases	see page 17	see page 15
LA6	• Description of formal joint H&S Committee comprising management and workforce and proportion of workforce covered by such committees	see page 17	see page 15
LA7	• H&S performance	6 RIDDOR in 862 employees	4 RIDDOR in 787 employees
	Social, Labour Practices and Decent Work: Training and Education		
LA9	• Average hours/days of training per year per employee	1,099 days of training provided to employees	1,137 days of training provided to employees
	Social, Labour Practices and Decent Work: Diversity and Opportunity		
LA10	• Description of equal opportunity policies and monitoring systems to ensure compliance and results	see page 18	see page 14
LA11	• Composition of senior management, including male/female ratio	34% female employees in management 41% female employees overall	31% female employees in management 39% female employees overall
	Social, Society: Community Core Indicators		
SO2	• 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 8-11	see pages 6-9
	Additional Indicators		
SO4	• Awards received relevant to social, ethical and environmental performance	see page 21	see page 17
	Social, Society: Political Contribution		
	Core Indicators		
SO3	• Description of policy/procedures and mechanisms for managing political lobbying and contributions	Policy is to make no political contributions	Policy is to make no political contributions
	Additional Indicators		
SO5	• Amount of money paid to political parties	None	None
	Social, Product Responsibility: Customer Health & Safety		
	Core Indicators		
PR1	• Description of policy for preserving customer H&S during use of services and how this is applied and results of any monitoring	see page 17	see page 15
	Additional Indicator		
PR4	• H&S performance for shoppers (UK directly managed Shopping Centres)	19 RIDDOR per 210 million customer visits	39 RIDDOR per 175 million customer visits
PR5	• Number of complaints upheld by H&S regulatory bodies	None	None

BUREAU VERITAS EXTERNAL ASSURANCE SUMMARY STATEMENT

Objectives

Bureau Veritas has been commissioned by Liberty International to provide an external verification statement. The aim of this is to reassure Liberty International's stakeholders that the information presented within this 2005 Corporate Social Responsibility (CSR) Report is accurate, reliable and objective. We have also considered the completeness of the Report to ensure that it is balanced, has no significant omissions and that it provides a true reflection of the CSR impacts and performance of Liberty International over the last year.

The process we have used in this verification exercise is based on current best practice, such as that detailed in the Global Reporting Initiative (GRI), the Accountability Standard AA1000 and the Association of British Insurers (ABI).

Responsibilities of the verification provider – Bureau Veritas

The verifier is exclusively responsible for the contents of this Verification Statement. Liberty International has provided access to sites, records all data required and the verifier is confident that no material has been withheld.

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

Scope of the verification

This verification exercise has covered all CSR data and performance indicators used to describe Liberty International's performance and all factual statements regarding CSR initiatives, processes, systems and supporting information. This verification exercise has NOT covered economic data and information, company profile and information relating to Liberty International's non-UK business activities.

Methodology

Factual statements and data were verified at Corporate Head Office, Capital and Counties (C&C) and Shopping Centre level. Detailed site audits were conducted at two (out of 12) shopping centres (the Glades and the Victoria Centre).

The verification involved a series of interviews, document review, inspection of internal and external records, interrogation of databases and associated management and reporting systems. This involved challenging and substantiating the content of the material presented in the Report. The integrity and accuracy of aggregated data was tested by tracking sample data back to source.

Opinion of the verifier

Accuracy of Report

- We are satisfied that all factual statements contained within the Report are accurate.
- We are satisfied that the CSR data and performance indicators are reliable and an accurate reflection of data collected at C&C and Shopping Centre (CSC) level and collated by Corporate. We have generally found data collection systems to be robust and trends correct. However, some areas for improvement were identified. This has led to qualifying statements alongside the data and recommendations as appropriate.

Completeness, materiality and responsiveness of Report

We are satisfied that Liberty International has provided an accurate and balanced CSR Report. In general it has demonstrated a good understanding of its direct and indirect impacts which are aligned with its overarching CSR objectives. There are no significant omissions which could affect stakeholder's ability to make informed judgements or decisions about Liberty International's performance.

In terms of responsiveness, Liberty International has well-defined processes in place at an operational level to obtain feedback from and respond to stakeholders needs and expectations. This includes customer and retailer surveys, meetings, and consultation for development projects. Liberty International should provide further information on positive and negative feedback obtained and consider how to measure and report this.

Overall, Liberty International has made good progress in continuing to implement its CSR Strategy in 2005 – the final year of a three year programme. It has good governance processes in place at corporate level and communication across the business continues to improve. It has responded to the CSR audits that occurred at the shopping centres in 2003 and those resulting from last year's verification process by implementing many of the recommendations.

This Summary Verification Statement is supported by a full statement on Liberty International's website and by an Internal Management Report which contain detailed recommendations.

Tracy Oates

Tracy Oates
Corporate Responsibility
Business Manager

Ben Shuster
Consultant

Bureau Veritas is one of the UK's largest environmental and CSR consultancies. It has experience in the design, development, assurance and verification of corporate reports in a range of sectors. Several staff are registered with the Institute of Environmental Management and Assessment (IEMA) as qualified auditors and members of AA1000.

Glossary

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.

Borehole A deep and narrow shaft in the ground to abstract water.

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 Trust for Conservation Volunteers A UK charity that supports practical ecological conservation work by volunteers.

Brownfield land Land that has previously been used for development.

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.

Carbon Management is a tool for reducing an organisations impact on climate change through the management of its carbon emissions.

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.

Climate Change Levy is a tax on industrial and commercial use of energy. The levy is designed to stimulate increased energy efficiency across business thereby reducing the UK's emissions of greenhouse gases.

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.

Crime Concern is an independent, non-profit registered charity working to reduce crime in England and Wales.

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.

Ecohomes is an environmental rating scheme for homes, which seeks to the overall environmental performance of new and existing homes. It considers the broad environmental concerns of climate change, resource use and impacts on wildlife.

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.

Green Roof is the term for covering the tops of buildings with plants, trees and grasses. A Green Roof has a range of environmental benefits, such as minimising rainwater run-off.

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

Job Centre Plus is a government scheme that provides help and advice on jobs and training for people who can work and financial help for those who cannot

Johannesburg Securities Exchange (JSE) is South Africa's Socially Responsible Investment Index. The Index measures commitment and performance in terms of environmental, economic and social impacts.

Life Cycle of a development encompasses the original procurement of raw materials, its refinements, manufacturing, shipping and installation, use and, disposal or recycling.

Morley Sustainable Investment A global fund management company and a leader in Socially Responsible Investment and Corporate Social Responsibility.

Newcastle Education Business Partnership works to promote, develop and support links between employers, schools and colleges.

Park and Ride schemes provide a means of travelling in and out of a town or city centre. Visitors park their car at a designated car park outside the town or city centre and travel in by a designated bus.

Prince's Trust A UK charity that helps young people through training, mentoring and financial assistance.

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.

Storebrand SRI Best In Class Storebrand is a global financial service provider based in Scandinavia, with Socially Responsible Investment (SRI) at the core of its investment activity. "Best In Class" companies are those assessed by Storebrand as having the highest performance in terms of social policy and practice, and environmental policy and approach.

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.

Travel Plan A package of measures used by an employer to encourage staff to use alternatives to single-occupancy car-use.

TUPE The Transfer of Undertakings (Protection of Employment) Regulations 1981, commonly known as TUPE, safeguard employee rights where businesses change hands between employers.

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

Designed and produced by Radley Yeldar

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Feedback

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, 2003 and 2004 CSR Reports, on our website: www.liberty-international.co.uk

CSC
CAPITAL SHOPPING CENTRES

CAPITAL & COUNTIES