

A RESPONSIBLE APPROACH

Over the last 12 months the focus on climate change has grown. Its impact on the way we live is now causing widespread concern. These concerns are genuine and must be taken seriously. The development of new homes and the way we live does consume natural resources and it is up to all of us to manage these resources prudently.

Our table of Key Performance Indicators (“KPIs”) demonstrates Bellway’s performance over the last 5 years against a range of headings and shows the progress we are making in for example, reducing waste and introducing more renewable technology.

This year we will be overhauling our CR programme to improve the collection and reporting of data and will be assisted by Trucost who are a leading provider of environmental information.

In response to living sustainably, in 2009 we published five strategic principals that govern our approach to creating sustainable living environments:

- Protection of the environment in which we are working
- Prudent use of natural resources
- Creating environments that have the potential to add to economic growth and employment opportunities
- Social considerations that recognise the needs for a changing and advancing population
- The development of communities that will endure and where people will aspire to live.

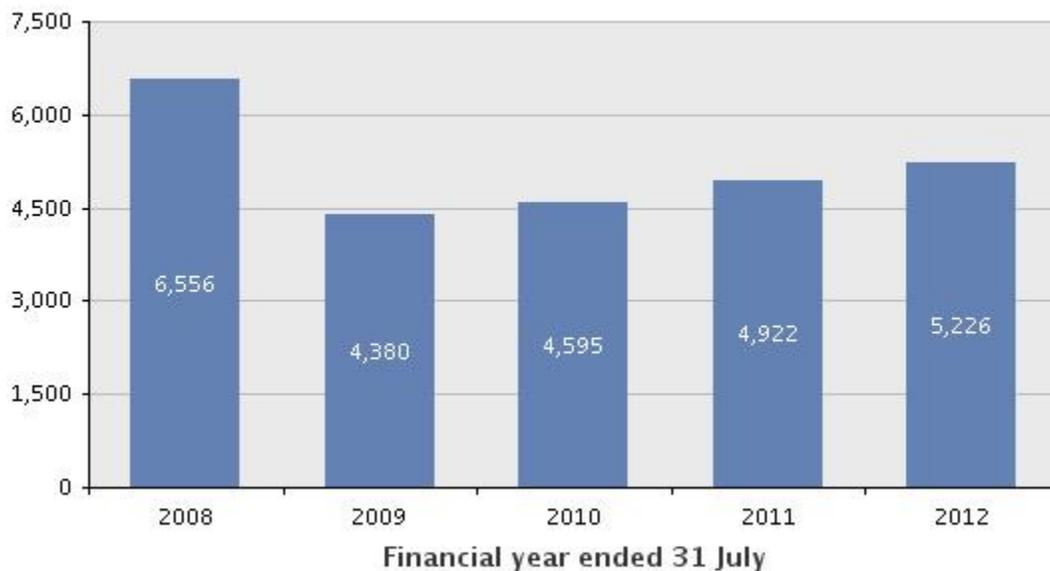
This website will show you how Bellway is living up to these principals and illustrates how our CSR programme is developing.

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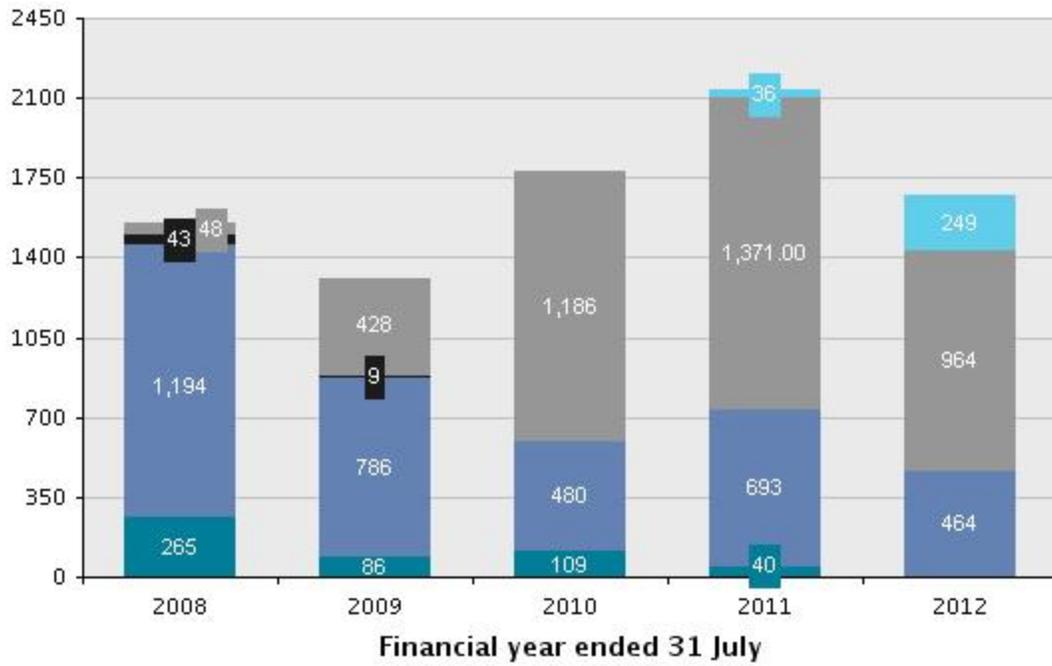
Chief Executive

2012 SUMMARY OF PERFORMANCE

Total number of homes sold

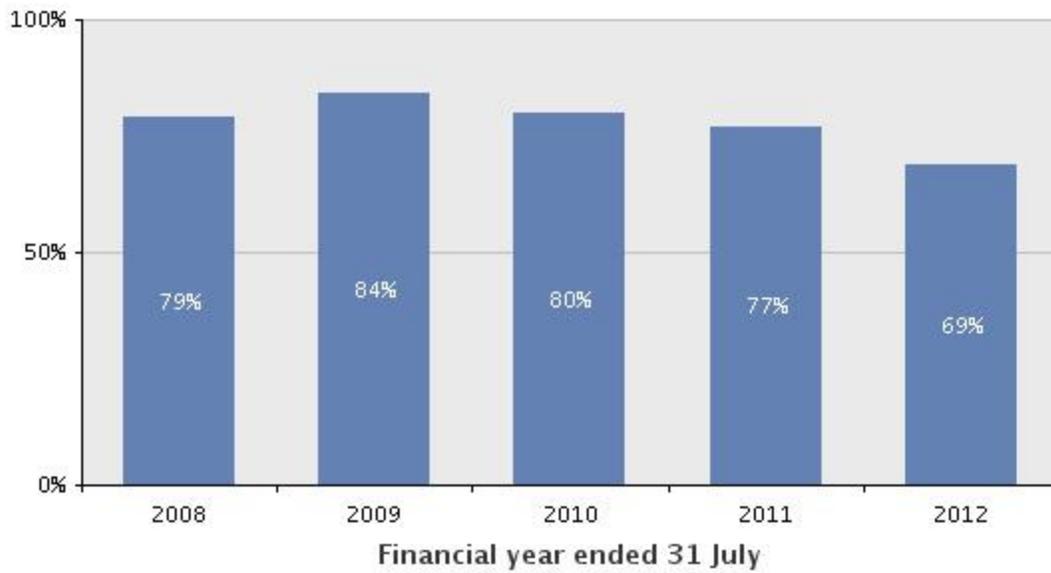


Eco Homes Built

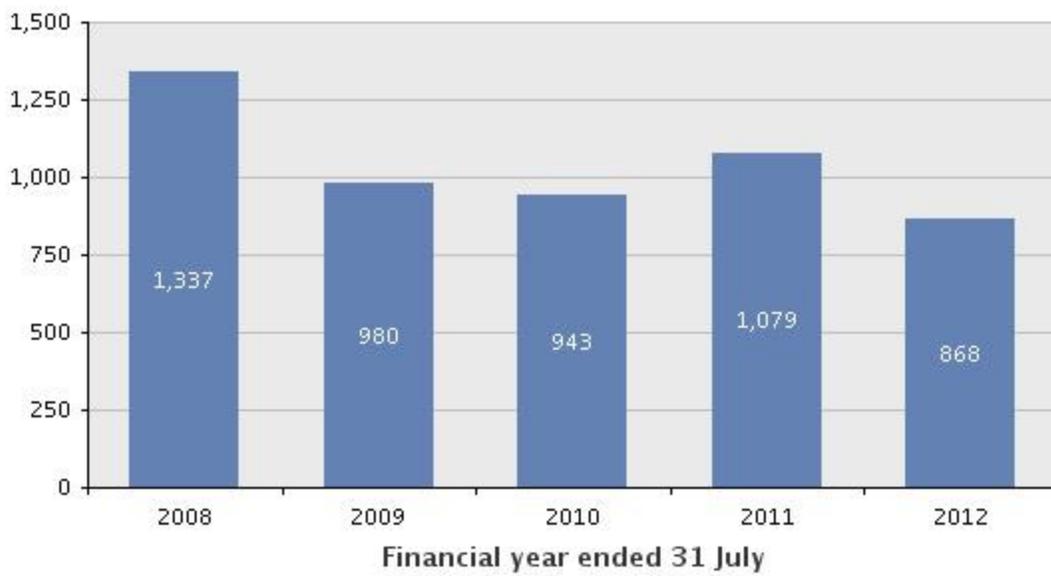


- Code 4
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- Good

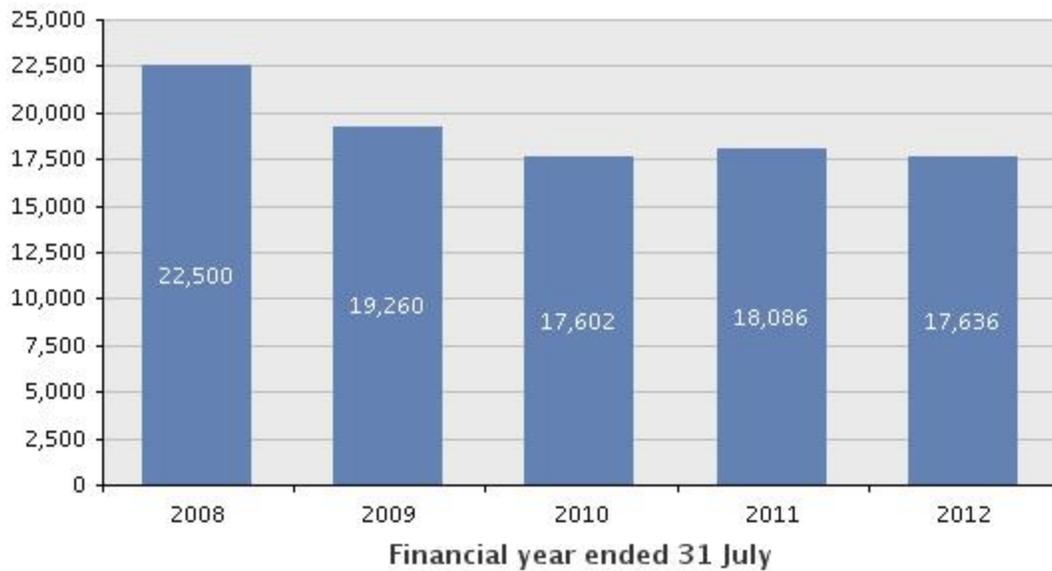
% of homes developed on brownfield sites



Number of homes sold to Registered Providers



Number of plots with planning permission



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VISION STATEMENT

Through sustainable building we aim to create new communities and life-supporting environments for people now and in the future. Using our skills, and in consultation with our partners, we aim to enhance the environment in which we are working and secure the advantages that this offers to the Bellway Group, its shareholders, employees and customers.



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ABOUT BELLWAY

Bellway p.l.c. is one of the country's top housebuilding companies and in the 2011/2012 financial year sold 5,226 homes. With its headquarters in the North East of England, the Group operates extensively throughout the UK, excluding Northern Ireland.

We provide a wide range of house types including one, two and three bedroom apartments; terraced homes; three storey homes; semi-detached homes; and three, four and five-bedroom detached homes. During the 2011/12 financial year we have supported 133 purchasers buy a new home using the Government backed mortgage guarantee scheme – NewBuy.

The Group's developments vary in scale – typically from fewer than 20 homes up to 250, and in 2011/12 69 % of our homes were constructed on brownfield land.

Our broad product portfolio and geographic spread ensures that we avoid over-dependence in any one area of the market. Our total land holding is comprised of owned and controlled plots and, as at 31st July 2012, our total land bank totalled 31,026 plots.

The Group employs around 1,500 people and indirectly employs many more via sub-contract arrangements. Our development activities make a very real economic contribution in the many locations around the country where we operate. Our homes are designed, built and marketed by local teams operating from regional divisions managed and staffed by local people. This allows the Company to stay close to its customers and take key decisions about design, construction, materials, planning and marketing in response to local rather than national demands.



SUSTAINABILITY OBJECTIVES

We continue to concentrate on the key areas that give rise to significant sustainability effects where Bellway has the ability to control or influence these for the better.

While these areas remain core to our approach, we remain open to feedback to ensure that we are focused on the right priorities.

Our sustainability targets have been directly aligned to our core business objectives. The central tenets of this policy are:

Responsibility

Recognising that we have responsibilities to both limit damage and to enhance the environment, our managers are given the responsibility of integrating environmental best practice into everyday business processes.

Environment

We aim to minimise harmful effects upon the environment and where possible use sustainable resources to seek environmental improvements, concentrating on where there is most room for improvement.

Stewardship

We will conduct our business to ensure that developments realise commercial returns in an environmentally responsible and sustainable manner.

Performance

We meet, as a minimum, with legislation and associated codes and, where possible, aim to exceed these performance targets.



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ENVIRONMENTAL POLICY

The Bellway Group is one of the largest house builders in the UK. The house building process affects the environment by the use of land and consumption of resources throughout the development process.

It is our objective to ensure that at the conclusion of a development an attractive and sustainable new environment has been created that will continue into the future.

Recognising that we have responsibilities to both limit damage to, and enhance, the environment, this statement sets out our policies for managing the environmental aspects across our business. Key objectives are to:

- Minimise any deleterious effects on the environment and, where possible, to seek environmental enhancements, concentrating on areas where there is most room for improvement.
- Aim to meet and, where practicable, exceed all relevant environmental legislation and regulations.
- Improve our environmental performance.
- Set specific environmental objectives and targets and periodically review progress against these targets.
- Ensure that Bellway's environmental aims and their importance are communicated throughout the Group, including appropriate subcontractors and suppliers, and that a copy of the policy is displayed on each Bellway site.
- To consider the role that Bellway can play in helping to contribute to the principles of sustainable development within the UK.
- Recognise and respond to the challenges and opportunities that are presented by climate change.

In addition to our key commitments, the Group has identified a number of specific priority areas which we will endeavour to achieve:

- Consider environmental implications in the selection and procurement of land for development, including implications for biodiversity and sustainable development.
- Meet and where possible exceed government targets for the development of brownfield land.
- Influence the design of sites, housing, and fittings to minimise effects on the natural and built environment.
- Provide environmental benefits and minimising nuisance arising from construction activities and preventing pollution on development sites.
- Consider environmental issues within our corporate functions and everyday business decision making processes.

The above statement will take into account commercial considerations.



CLIMATE CHANGE POLICY / STATEMENT

Scientists agree that the Earth's climate is being directly affected by human activity, and for many people around the world, these changes are having negative effects.

It is clear that the way we manage our businesses and our lives today will have a profound effect on future generations. Managing the energy used in our homes and the way they are constructed will play a significant role in limiting greenhouse gas (GHG) emissions.

As a major developer of new homes we realise that we have a significant role to play in combating climate change and reducing GHG emissions. We define our position on this issue as follows:

- We support precautionary action on climate change although we recognize that aspects of the science are still emerging and remain the subject of expert debate.
- We believe that climate change is a long-term issue and support urgent but informed action to stabilize (GHG) concentrations by achieving sustainable long-term emission reductions at the lowest possible cost.
- There are many potential contributors to this goal. We support an inclusive approach that acknowledges the existence of many different starting points, priorities and solutions.
- We believe that governments and businesses must work together to create policies that contribute towards the delivery of new homes and emission reductions, this we believe can be achieved simultaneously.
- We believe that Government policy and regulatory interventions must support the development and implementation of appropriate technological solutions and also enable the amendment of market mechanisms as new knowledge around climate change emerges.

We will focus our efforts on:

- Improving the energy efficiency of our new homes in-line with higher environmental standards that are set out in the building regulations.
- Evaluating the materials we use during the construction process. Where suitable and economically viable, we will select products from our supply chain partners which limit harmful GHG emissions both in their manufacture and subsequent use.
- Identify and implement, where possible, new business practices that will combat the production of GHGs. Over 40 per cent of CO₂ emissions in the UK come directly from what we do as individuals; for example, heating and using electricity in our homes - and driving vehicles. We will continue to inform and encourage our customers to follow practices that have a less harmful effect upon the environment.



WOOD PROCUREMENT POLICY

Bellway's aim is to ensure that all wood products used by the Company in the housebuilding process originate from verified well-managed forests.

The cornerstone of this policy requires our suppliers to ensure that the timber supplied is produced in compliance with current laws and forest practice codes in the country concerned. Timber must not be taken from ancient forests or other high conservation value forests, unless the forest area is certified according to the Forest Stewardship Council's principles and criteria or an equivalent system.

The following considerations guide our purchasing:

- To ensure we produce a quality product for our customers, we fairly assess all purchased wood for its quality, quantity and point of origin.
- We specify in orders and contracts that suppliers must provide evidence that timber and timber products have been lawfully obtained from forests or plantations that are being sustainably managed. Acceptable certification includes Forestry Stewardship Council (FSC) and Programme for the Endorsement of Forest Certification (PEFC) Chain of Custody.
- This policy has been communicated to all Bellway's timber suppliers. Bellway will continue to review its procurement policy in-line with its commitment to continue enhancing its environmental management systems.



MANAGING RISK

Risk is a natural part of any business. The management of risk is a key operating component of the Group. The manner in which this is carried out is highly important to the long-term success of the business. The Group has identified, evaluated and put in place strategies to mitigate the principal risks faced by the business, shown in the table below:

Risk	Mitigation
Land	
The inability to source suitable land at satisfactory margins would have a detrimental effect on the Group's land bank and consequently, its future success	<ul style="list-style-type: none"> • Endeavour to ensure that a land bank with planning permission for at least three years' construction programme is in place on a rolling basis. • Thorough pre-purchase due diligence and viability assessments. • Authorisation of land purchases in line with robust Group procedures.
Planning	
Delays and the increased complexity of the planning process hampers and slows the Group's growth prospects.	<ul style="list-style-type: none"> • Centralised and Regional Planning Directors provide advice and support to divisions to assist with progressing the planning permission process
Sales	
Ensuring that the effects of any diminution in the size of the marketplace, the ability of prospective customers to access credit facilities or the sales prices achieved are managed in such away as to limit any adverse financial or operational effects on the Group's performance.	<ul style="list-style-type: none"> • In consultation with Head Office, local divisional management determines product range and pricing strategy commensurate with regional market conditions. • Use of sales incentives where appropriate to encourage the selling process, such as part-exchange and Express Mover. • Use of government-backed schemes to encourage home ownership where appropriate. • Ensuring that construction rates are managed to ensure stock availability matches sales rates.
Construction	
Ensuring that appropriately skilled personnel are available and that suitable materials are also available	<ul style="list-style-type: none"> • Identifying training needs and allocating appropriate resources to training.

<p>at the right price.</p>	<ul style="list-style-type: none"> • Ensuring systems are in place for engaging, monitoring and controlling work carried out by sub-contractors. • Ensuring competitive reward systems are in place. • Ensuring Group purchasing arrangements are in place to secure materials at competitive prices.
Environment	
<p>Housebuilding has a significant effect on the environment. It is important that the effects of the Group's developments are, as far as possible, positive rather than negative.</p>	<ul style="list-style-type: none"> • It is our objective to ensure that at the conclusion of a development an attractive and sustainable new environment has been created that will continue over time. See our Environmental Policy on this website or page 19 of our Annual Report.
Health and safety	
<p>It is important to ensure that the Group has adequate systems in place to mitigate, as far as possible, the dangers to people inherent in the construction process</p>	<ul style="list-style-type: none"> • The Board considers health and safety issues at each Board meeting. • Regular visits to sites by senior management (independent of our divisions) and external consultants to monitor health and safety standards and performance against the Group's health and safety policies and procedures.
Personnel	
<p>Attracting and retaining the correct personnel is key to the Group's long-term success. Failure to do so will severely affect the Group's ability to perform in a highly competitive market.</p>	<ul style="list-style-type: none"> • The Group offers competitive salary and benefits packages. • Divisional training plans are in place. • Succession planning for key posts. • 98% of site workers (including sub-contractors) are fully accredited under CSCS.
Information Technology	
<p>It is vital that the Group has suitable systems in place to ensure that, as far as possible, a smooth flow of information is transmitted throughout the Group and that the risk of system loss is mitigated and supported by appropriate contingency plans.</p>	<ul style="list-style-type: none"> • Group-wide systems are in place which are centrally controlled with an outsourced support function in place.
Asset Protection	
<p>The way in which the Group carries out its operations can have a material effect on the value of its assets.</p>	<ul style="list-style-type: none"> • The Group prepares viability assessments on all of its land purchases and construction projects, and keeps these under regular review to protect, wherever possible, the value of its assets.
Treasury Management	
<p>Ensuring suitable financial resources, at appropriate costs, are in place to meet Group requirements.</p>	<ul style="list-style-type: none"> • Central negotiation and control of banking facilities to ensure liquidity and debt levels are appropriate. • Facilities distributed across various sources. • Careful management and monitoring of cash forecasts.
Legal and Regulatory Compliance	
<p>Disadvantageous contractual obligations, regulatory fines or adverse publicity by failing to comply with current laws and regulations or failing to have appropriately worded contracts in place.</p>	<ul style="list-style-type: none"> • Central secretariat, human resources and legal functions advise divisions on compliance and ensure policies and procedures are kept up to date to minimise risk of non-compliance. In addition, the Board ensures that adequate insurance cover is maintained to underpin and support the many areas in which the Group is exposed to risk of loss.



BUILDING GREENER HOMES

The Government's target to reduce UK carbon emissions by 80% by 2050 represents a significant challenge to achieve and clearly the house building industry has an important role to play in creating more sustainable environments. We are committed to research and innovation and to working with our supply chain partners to improve the sustainability standards of the homes we construct.

We have made considerable progress in reducing the long-term environmental effects of the homes we construct. Last year we increased the number of homes constructed in accordance with Level 3 of the Code for Sustainable Homes from 1186 homes to 1371 homes. As a result many more homes have access to a cycle store and feature renewable energy solutions such as solar panels and low water use taps, baths and showers that are specified to reduce water usage to 105 litres per person per day. In constructing these more sustainable homes we estimate we are achieving a 25% reduction in CO² emissions when compared with homes built under previous building regulations.



This year saw the first home owners moving into City East part of our Barking Riverside development. Situated in the borough of Barking and Dagenham, the development will provide affordable homes for families who find them selves priced out of other London boroughs. Spearheading the arrival of the first occupants was the development of the Rivergate Centre which incorporates a new primary school, place of worship and community facilities, the early development of this centre meant that new residents had access to essential services from day one.

All homes have been passively designed to reduce solar gain. All pitched roofs face due south and are provided with photovoltaic solar panels achieving 20% micro-renewable energy generation. The remaining flat roof areas are covered with green roofs, reducing rain water run-off, encouraging biodiversity and bedding the buildings further into the landscape. Mechanical Ventilation with Heat Recovery is provided to the affordable dwellings. Provision has also been made to allow connection to a district heating system, future-proofing the development..



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HEALTH AND SAFETY

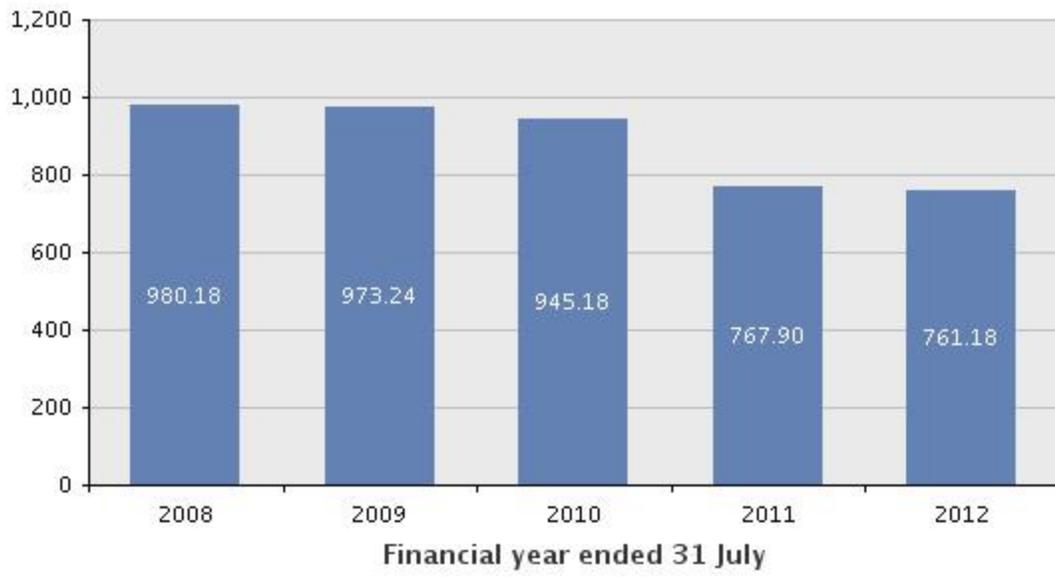
Ensuring the health and safety of our employees, sub-contractors and the general public is of the utmost importance to Bellway.

We promote a positive health and safety culture throughout the Group and support the development of skills and knowledge throughout the organisation.

We have established procedures and systems to manage health and safety and provide detailed risk assessments for all our site operatives. In managing health and safety we take a pro-active approach and every three weeks (more often on more complex sites) NHBC safety consultants undertake health & safety site inspections on most of our sites. During the course of the year we were awarded a Safemark Certificate which is a benchmark recognised by the Health and Safety Executive. We are presently in the process of extending this system to all our contractors.

During the course of the year we have had five major injuries and 31 incidents (absent for more than 3 days). However, we are pleased to report that the rate of incidents in relation to the size of the workforce has fallen to its lowest level since 2006, despite the increased levels of activity on sites.

Rate of over 3-day lost time accidents per 100,000 employees



KEY PERFORMANCE INDICATORS

The key performance indicators presented here will be publicly reported each year and reported internally to the Board on a regular basis.

Key Performance Indicators	Financial year ended 31 July				2012
	2008	2009	2010	2011	
Commercial					
Total number of homes sold	6,556	4,380	4,595	4,922	5,226
Number of homes sold to Registered Providers	1,337	980	943	1,079	868
Number of plots with planning permission	22,500	19,260	17,602	18,086	17,636
Number of sites registered with the Considerate Constructors Scheme ⁽¹⁾	–	56	89	108	128
Number of homes built to Lifetime Homes standards ⁽²⁾	–	–	690	1,119	798
Environmental					
Percentage of homes developed on brownfield sites	79%	84%	80%	77%	69%
Number of homes per hectare	63	67	63	59	57
Number of EcoHomes with at least 'Very Good' rating	1,194	786	480	693	464
Number of homes built to Code Level 3	48	428	1,186	1,371	964
Number of homes built to Code Level 4 ⁽³⁾	–	–	–	36	249
Number of homes built with renewable energy technology	307	636	1,653	2,092	2,865
Percentage of homes built using timber frame	30%	23%	15%	13%	5%
Number of homes built using thin joint technology ⁽³⁾	–	–	–	126	50
Measure of waste (number of 7m ³ skips per home sold)	4.30	3.60	3.78	3.44	2.92
Number of active sites with a Biodiversity Plan in place ⁽⁴⁾	–	–	–	–	36
Number of compliance breaches	6	0	1	1	1
Number of homes with energy efficient lighting ⁽³⁾	–	–	–	3,973	5,155
Number of homes with rainwater harvesting ⁽³⁾	–	–	–	224	260
Number of homes with waste recycling facilities ⁽⁴⁾	–	–	–	–	1,613
Number of current sites with SUDS designed into the scheme ⁽¹⁾	–	77	86	89	110
Number of trees planted ⁽²⁾	–	–	8,484	8,843	6,894
Number of current sites with car clubs ⁽¹⁾	–	5	7	6	9
Number of homes with access to a cycle store ⁽³⁾	–	–	–	2,278	2,079
Number of sites within 500 metres of a transport node ⁽⁴⁾	–	–	–	–	206
Employees					
Employee turnover ⁽⁵⁾	33.7%	65.2%	21.0%	13.8%	14.6%
Number of site workers (including sub-contractors) accredited with CSCS cards	1,042	1,793	3,489	4,037	3,622
Number of apprentices employed	149	30	33	43	69
Number of NHBC Pride in the Job Awards received	20	15	18	22	23
Health and Safety					
Rate of over three-day lost time accidents per 100,000 employees	980.18	973.24	945.18	767.90	761.18
Number of health and safety prosecutions	0	1	0	0	0
Creating community value					
Financial contributions under Section 106 agreements	£17.0m	£2.0m	£13.0m	£30.9m	£39.4m
Man hours contributed to charitable initiatives ⁽⁴⁾	–	–	–	–	191
Number of plots built to Secured by Design principles ⁽⁴⁾	–	–	–	–	1,614
Number of work placements offered to local people in the last three years ⁽⁴⁾	–	–	–	–	91
Number of employment opportunities provided to tenants or residents in the last three years ⁽⁴⁾	–	–	–	–	58
Stakeholder					
Percentage of customers who would recommend Bellway to a friend (annualised)	80%	89%	86%	91%	94%

- (1) 2009 was the first year of reporting.
- (2) 2010 was the first year of reporting.
- (3) 2011 was the first year of reporting.
- (4) 2012 was the first year of reporting.
- (5) Includes redundancies.