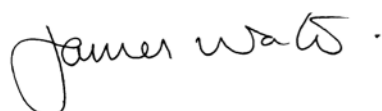


Reshaping tomorrow

Long-term sustainability has been at the heart of Wates' business growth and development over many years. Our thought leadership on communities and our many community projects across the country have a huge impact. They are testament to the powerful role businesses can play in society.

The Wates family see themselves as stewards of the Company for our children. Our aim is to pass on a bigger, better and more sustainable business to the next generation of Wates. For us, sustainability is more about who we are than what we do. It links closely to our core value 'Respect for People and Communities' and I think you will see in this report how we live our values.

Our priority is to accelerate progress in key areas of need, including employment, education and climate change. To achieve this we understand the value of working with partners. Throughout this report you will see examples of employee engagement, partnerships and alliances as our preferred means to increasing the pace and impact of our efforts.



JAMES WATES
DEPUTY CHAIRMAN
WATES GROUP

In 2010, three mainstream programmes aligned our CR activity with customers' interests and provided a framework for investment and action:

Transforming communities

Minimising waste

Reducing our carbon footprint

Throughout the year, we collaborated closely with customers and suppliers in order to deliver sustainable and measurable benefits from CR activity. We remain committed to:

LEADERSHIP AND INFLUENCING

We seek to influence the public agenda both corporately and through the contribution of our individual employees.

STRENGTHENING RELATIONSHIPS

We aim to align our ambitions and resources with those of our customers and supply chain partners to achieve the most meaningful impact through working together.

MAKING IT REAL

We will be relentless in sharing stories about the actions that have made a difference so that we encourage our people and our partners to drive progress.



JAMES WATES
DEPUTY CHAIRMAN
WATES GROUP

Transforming communities

Since 2007, we have focused on building sustainable communities through raising skills and creating employment opportunities. Our AQA-accredited Building Futures programme runs in partnership with customers, supply chain partners and local agencies across the UK, providing vocational training for the long-term unemployed, ex-offenders, older people and women.

TARGET	2010 PERFORMANCE
Improve skills and secure employment for 500 long-term unemployed people by 2012	363 people graduated from Building Futures since 2007
	57% in employment or further training

Building Futures awarded Big Tick in the 'employability' category at the 2010 BITC Awards for Excellence

13 programmes delivered in 2010; 70% in the most deprived areas of the UK*, all categories 3-5 of the deprivation indices

*The government's indices of deprivation identify areas of multiple deprivation at the small area level. Details are held by the Office for National Statistics, www.neighbourhood.statistics.gov.uk

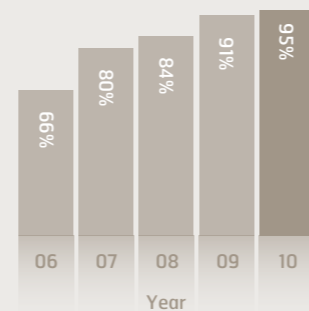
Minimising waste

In 2006, Wates launched Target Zero, our commitment to send zero non-hazardous waste to landfill by 2010. Our leadership by example helped to accelerate the move to an industry-wide agreement that we must work together to eliminate the 100m+ tonnes of construction waste that is sent to landfill annually.

TARGET	2010 PERFORMANCE
Zero non-hazardous waste to landfill by 2010	95% non-hazardous waste diverted from landfill
	99%+ non-hazardous waste diverted from landfill by 30% of our sites

100% timber purchased by Wates Group is from legal, sustainable sources that meet FSC requirements or equivalent	100% timber procured met FSC requirements or equivalent; 8 sites achieved Product Chain of Custody
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% OF NON-HAZARDOUS WASTE DIVERTED FROM LANDFILL 2006-2010



Reducing our carbon footprint

Our commitment to reducing CO₂ emissions is twofold: we work with customers and industry partners to identify new technologies and techniques for low-carbon construction and we commit to reduce the carbon emissions from Wates' operations.

TARGET	2010 PERFORMANCE
Achieve a 10% year-on-year reduction in carbon emissions from fleet and energy consumption	4.2% reduction in per capita motor vehicle emissions

CONTRACTOR OF THE YEAR, CIBSE LOW CARBON PERFORMANCE AWARDS 2010



THE CIBSE LOW CARBON PERFORMANCE AWARDS | 2010

Our strategic partners

We will continue to work closely with the like-minded partners who help us deliver on our CR commitments and who share our vision and values, including:

Business

Community

BUSINESS IN THE COMMUNITY

A long standing member of BITC, Wates is involved in national BITC programmes aimed at improving educational achievement, employability and economic renewal.



THE PRINCE'S TRUST

We support the 'Get Into Construction' work experience programme, which provides a route to skills and employment for people aged 18-25 and also helps address the skills shortage in our industry.



WASTE RESOURCES ACTION PROGRAMME

WRAP is a key partner in the development and execution of our Target Zero campaign and other pioneering industry initiatives such as the Net Waste Tool.



CARBON TRUST

The Carbon Trust helped us put together our Group-wide carbon management plan. It continues to support us in providing customer solutions.

For more stories visit
www.wates.co.uk/why-wates/we-connect/transforming-communities

TRANSFORMING COMMUNITIES

Secure employment is at the heart of sustainable communities yet almost 20% of UK households have no-one in work¹. During 2010 Wates has given more than £1m annually in employee time and direct investment to provide skills training, work experience, apprenticeships and employment opportunities. Our ability to deliver specialist employability support under our Building Futures programme has been significantly enhanced by awards provided by Wates Giving, which total £145,500 since the charity formed in 2008.

TRANSFORMING COMMUNITIES – SUMMARY OF KEY PROGRAMMES		
OBJECTIVE	PROGRAMME	ACHIEVEMENTS AND IMPACT
Improve skills and secure employment for 500 long-term unemployed people by 2012	Building Futures, Wates AQA-accredited vocational training programme	<ul style="list-style-type: none"> 155 people graduated from Building Futures in 2010 65% went on to further training or employment 363 participants since 2005 of whom 57% entered employment or further training
Raise the aspirations and attainments of young people	BITC 'Business Class'	<ul style="list-style-type: none"> Wates leads major Business Class cluster in Coventry Three year leadership and financial commitment to pupils at Ernesford Grange Community School in Coventry
Support teaching and learning for the new Diploma in Construction and the Built Environment	C&BE Diploma	<ul style="list-style-type: none"> Currently around 5,000 people are studying for the diploma; 500 due to enroll in September 2011 An estimated 1,000 hours committed by Wates people to teaching and learning support www.cbelearning.com used by 178 schools and other organisations with 3,759 students and 259 teachers registered
Provide apprenticeships closely aligned with project and customer requirements	Apprenticeships scheme	<ul style="list-style-type: none"> Over 100 apprentices were supported in 2010 32 apprentices joined Wates; 7 as permanent employees, 9 as the first in business administration 24% female apprentices in post
Encourage young people into construction	Prince's Trust 'Get Into Construction'	<ul style="list-style-type: none"> 38 programmes ran in 2010 420 people received support 57% went into employment 21% went into further training
Provide a structured work experience programme for four students at each Wates regional office in 2010	Work Inspiration	<ul style="list-style-type: none"> 662 placements awarded Achieved Highly Commended BITC Work Inspiration award
Increase the use of social enterprises across the business in 2010	Social Enterprises engagement	<ul style="list-style-type: none"> 38 social enterprises employed across 56 projects with total spend of £600,000+ Social enterprise coordinators appointed for each Business Unit
Provide practical help to improve community facilities working in partnership with customers and supply chain partners	Annual Community Day	<ul style="list-style-type: none"> Donated 12,765 man hours on 94 separate projects across the UK
Facilitate local businesses to engage with housing associations to help local people into employment	BITC 'Building Opportunities'	<ul style="list-style-type: none"> Two projects in Bristol and Birmingham 111 residents took part in 242 employment activities 20 businesses and two major housing associations participated

COMMUNITY DAY 2010
Ian Burnett, Managing Director of Wates Living Space with Nichola Cromack at Kirklees Adult Services' Highfields Garden Project in Huddersfield.



UNLOCKING POTENTIAL WITH SOCIAL ENTERPRISE

In 2010, we looked for ways to build on the successes of our work in employability and raising skills, which help boost the long-term economic wellbeing of the communities where we work. With a focus on local employment, diversity and community motivation, social enterprises share many of our values and goals. They have also been recognised as a valuable contributor to realising the government's vision of a Big Society. In line with Wates' passionate commitment to leaving a lasting legacy in the community, we began partnering with 36 social enterprise organisations across 56 of our projects with a total contract value of around £600,000. This created many short-term and permanent employment opportunities, work placements and work experience while supporting local entrepreneurs with a purpose beyond profit. It also enabled us to progress towards our social and environmental goals and was just one of the many CR initiatives that came direct from employees.

The inherent risks of a construction site make it a challenging environment. However, the Wates' Bristol-based team researched the skills of local social enterprises and identified opportunities for four of these businesses to work across a number of Wates' projects in Bristol and the South West:

- Bristol Wood Recycling Project (BWRP) employs people outside the regular employment market, such as those with mental health problems or recovering from alcohol and substance abuse. It collects waste timber and sells it for re-use or recycling it into woodchip. Wates appointed BWRP as a waste contractor on the refurbishment of the Kingsmead Civic Centre in October 2010. At the time of writing, BWRP has recycled 180m³ tonnes of timber from Wates' sites.
 - PLUSS is one of the largest social enterprises in the UK, working primarily in the South West and offering a range of business services. Wates has retained PLUSS for such diverse tasks as PAT testing in the Bristol offices and the provision of nesting boxes at a refurbishment project in Devon.
 - The Brandon Trust provided a catering trainee for the Kingswood site canteen - initially an unpaid post which has now become fully paid employment.
 - The Whole Bake Cafe has provided catering services for Wates' Community Day and site meetings in the South West.
- Following this initial success, the Bristol team is looking to extend its relationships with social enterprises.

¹ <http://www.statistics.gov.uk/cci/nugget.asp?id=409>

MINIMISING WASTE

The construction industry is responsible for around one third of all waste in the UK. Wates' response to this issue was to launch Target Zero, our industry-leading commitment to send zero non-hazardous waste to landfill by 2010.

ELIMINATING WASTE – SUMMARY OF KEY PROGRAMMES		
OBJECTIVES	PROGRAMME	ACHIEVEMENTS AND IMPACT
Send zero non-hazardous waste to landfill by 2010	Target Zero	<ul style="list-style-type: none"> 30% of all sites diverted 99%+ of non-hazardous waste from landfill in 2010 95% non-hazardous waste diverted from landfill in 2010
Partner with leading waste management practitioners and integrate good waste management practice into our procurement process	Closer to Fewer	<ul style="list-style-type: none"> Secured arrangements with 26 waste management suppliers Waste management credentials and KPIs introduced into supplier agreements
Work with customers to reduce waste	BRE SMARTwaste tool on all Marks & Spencer sites	<ul style="list-style-type: none"> 90% of our Marks & Spencer projects have exceeded their target of 90% of waste to be recycled
Establish environmentally friendly alternative to traditional wooden site hoardings	EcoSheets	<ul style="list-style-type: none"> Worked with 2K Manufacturing to develop EcoSheets, for fully recyclable site hoardings

Over the past four years, we have embedded the philosophy and practice of Target Zero into our business and have made excellent progress. Collaboration - with customers, partners and industry peers - has been at the heart of this journey. As a result, in 2010 more than 30% of our sites diverted 99% or more waste from landfill and, as a Group, we diverted 95% of non-hazardous waste from landfill. The 5% of non-hazardous waste sent to landfill in 2010 is largely accounted for by difficult waste streams, such as plastics and kitchen units, where national recycling opportunities are limited.

During the year, we saw evidence of the value that our Closer to Fewer supply chain strategy can bring to eliminating waste both in terms of reduction and recycling. We have continued to develop innovative ways of working with manufacturers; suppliers and sub-contractors to drive efficiency in waste. We continue to challenge our existing partners and to identify new companies who can bring innovation to our sites. We revised our supplier pre-qualification questionnaire, preferred supplier agreements and sub contractor orders to include waste management requirements and key performance indicators following work with the Waste Resources Action Programme (WRAP). A significant number of our preferred waste suppliers are also signatories of the WRAP 'Halving Waste to Landfill' commitment.

In 2010, we extended our commitment to using sustainable materials by developing processes for Project Chain of Custody certification on our

projects. 8 sites have achieved the independent certification and the programme will be rolled out to further projects in 2011.

REDUCING PLASTERBOARD WASTE

Wates is delivering the construction and refurbishment of eleven secondary schools and two academies in Luton over the next four years, as well as new affordable housing and community facilities. We asked our preferred supplier British Gypsum to second a technical expert to our design team to help identify opportunities to reduce plasterboard waste. As a result we have already achieved an 11% reduction in net plasterboard waste. In addition, we are making further financial savings and reducing CO₂ emissions from fewer deliveries plus an actual saving in material costs.

ELIMINATING VINYL WASTE

Following an initial trial with WRAP, Recofloor and Axiom in 2008, Wates Retail is now routinely recycling polymer flooring from all our Marks & Spencer sites. Even the smallest piece of vinyl off-cut is stored in a designated bag, which is collected periodically and delivered to Recofloor. Off-cuts are recycled into new flooring while uplifted vinyl is made into bases for traffic cones. Since 2008, this programme has allowed us to recycle 8.15 tonnes of vinyl flooring, and in 2010 Recofloor won an award from the Chartered Institute of Waste Management for 'Innovative Practice in Waste Management and Resource Recovery (SME)'.

REDUCING CARBON

The Climate Change Act of 2008 legally commits the UK to stringent carbon reduction targets. The Low Carbon Construction report published by the Department for Business, Innovation and Skills at the end of 2010, stated that any strategy for delivering the UK's 2050 targets on carbon emissions will "reach deep into every aspect of the built environment, and depends upon the construction industry working at its best." It is clear that our industry must lead this change.

Wates' approach is twofold: we work with our customers, suppliers and industry partners to develop the construction technologies, processes and skills needed for a low-carbon future; and we are committed to reducing our corporate carbon footprint.

Wates Living Space is engaged in a number of pathfinder projects. These include a pioneering, £3m project to design supply chain solutions to improve the energy efficiency of UK homes. The project is being led by the BRE and the Technology Strategy Board's Retrofit for the Future programme. Approximately 90 social housing units across the UK are being fitted with innovative technologies to illustrate how existing homes can be made more energy efficient.

Wates' goal is to deliver a 10% year-on-year reduction in total carbon emissions, based on our 2008 measure of 23,916 tonnes. During 2010 we worked with the Carbon Trust and Camco to develop a low carbon strategy for the Wates Group. It addresses the three elements that contribute to our carbon footprint: energy from sites and offices, waste and business travel.

SUSTAINABLE TRAVEL

Travel is a major contributor to our carbon footprint making up over one third of our emissions. In 2010 we introduced a range of initiatives for our employees to reduce both the amount of, and the way in which we travel. All our offices and large sites have video conferencing facilities. Our innovative and forward thinking car scheme encourages employees to opt for low emission vehicles by offering financial incentives. Response has been very positive with a 29% uptake. In addition, our flexible benefits programme promotes green travel with incentives for cycling and the use of public transport to travel to work. Employees can obtain discounts when they purchase a bicycle and for annual bus and train tickets. As a result of these actions, we were able to reduce the miles travelled per fuel card user from 17,154 to 16,703. This resulted in a 4.2% reduction in travel emissions in 2010.

REDUCING OUR CARBON FOOTPRINT – SUMMARY OF KEY PROGRAMMES		
OBJECTIVES	PROGRAMME	ACHIEVEMENTS AND IMPACT
Work with customers to help them reduce their carbon footprint	BREEAM expertise across the Group	<ul style="list-style-type: none"> 28 projects rated BREEAM Very Good or higher in 2010
Identify technologies, materials and processes that can be used to improve energy efficiency of UK housing stock	BRE Victorian Terrace Retrofit project	<ul style="list-style-type: none"> Building upgraded from EPC F rating to B/A
	Greener Homes for Redbridge (GHR)	<ul style="list-style-type: none"> £700,000 returned 20 homes to a habitable state Carbon emissions cut by more than 56 tonnes per annum, an average reduction in fuel bills of 44%
	Retrofit for the Future	<ul style="list-style-type: none"> Wates Living Space working on six Retrofit for the Future programmes
Deliver a 10% year-on-year reduction in our carbon emissions	Wates Group carbon reduction programme	<ul style="list-style-type: none"> 4.2% reduction in travel emissions, equivalent to 64 tonnes of CO₂ Contractor of the Year at CIBSE Low Carbon Performance Awards 2010
Encourage employees to choose low emission vehicles or public transport	Green travel/car policy	<ul style="list-style-type: none"> 29% of qualifying employees chose low emission vehicles



CR STRATEGY AND GOVERNANCE

We use the concept of materiality to help us decide where to focus our resources, reviewing legislative and regulatory factors and the risks and opportunities our industry presents. We assess the relative importance of the social and environmental issues faced by our industry and our society, and identify those where we can deliver the most impact. During this process, we consult and engage with industry peers, business organisations and government agencies, and key stakeholders including shareholders, employees, customers, supply chain partners.

GOVERNANCE, REPORTING AND MEASUREMENT

Wates' CR strategy is decided, led and monitored by the Group Executive Committee (ExCo), which includes senior leaders from across the business units and corporate functions. It is this strategic direction combined with empowerment at business unit and functional level that ensures CR activity is integrated and actioned through the operations of the entire Company. Regular performance reporting to ExCo ensures that the Group Board is kept informed.

The Business in the Community CSR Index has been our key measure since 2003. The BITC index helps us assess how well we are integrating corporate responsibility into our core business processes. In 2010 our score increased from 92.5% to 95% and we were the first construction company to be awarded Platinum status in the Construction and Building Services sector of the Index. Platinum is the BITC's highest award for corporate social responsibility.

Wates' regular employee engagement survey, conducted by IPSOS MORI, tells us how well our employees think of our CR performance. In 2010, 86% of our employees said they agree that 'Wates is making a positive difference to the world', a 9% increase from 2009.

Wates Internal Audit Team is responsible for assuring that our internal CR processes and audits are robust and that we have in place the right systems and processes to deliver our business responsibly. Our CR performance metrics are also reviewed by independent organisations as appropriate. For example, BM Trada independently certifies that our Environmental Management System (EMS) complies with ISO 14001.

OUR CR VISION FOR 2011

Following a stakeholder review in 2010, we have refined our CR strategy and have established our priorities for 2011:

Transforming communities

We will broaden our former focus on skills and employability to embrace wider engagement with schools and families in order to raise aspirations and create sustainable communities. The three areas where we will concentrate most are raising aspiration and skills, creating work opportunities and giving something back. In specific we will:

- Give 15,000 hours support to local communities
- Support 1,000 people back into employment, training and education
- Empower over 1,000 young people to raise their aspiration and skills in UK schools.

Eliminating waste

Building on the success of our Target Zero programme, we will extend this programme to further reduce and eliminate waste through close partnering with customers, our supply chain and industry partners. In specific we will:

- Divert 100% of non-hazardous waste from landfill
- Identify innovations to reduce packaging waste with our supply chain.

Reducing our carbon footprint

We will seek to reduce the carbon footprint of our own business operations by changing the way we work, with particular emphasis on reducing our business travel and energy consumption on site. Our aim is to:

- Reduce carbon emissions by 12% against our 2008 baseline
- Procure 20% of our energy from renewable sources
- Work with our temporary accommodation supplier to roll out Eco-site cabins on our sites.

Sourcing responsibly

Responsible sourcing underpins both waste management and low carbon business. Many Wates customers have clear parameters for responsible sourcing and we will ensure the integrity of our suppliers and supplies. Our aim is to:

- Roll out Project Chain of Custody certification to all projects over £15m
- Develop a responsible sourcing strategy for Wates Group.

WORKING WITH
SOCIAL ENTERPRISES
Catering2Order is a social enterprise
that provides catering services to
Wates' offices and sites across London.

Wates Giving

Wates Giving is an independent charitable programme run by the Wates family through the Wates Family Enterprise Trust. Its priority is to invest in projects that benefit communities for the long-term, by bringing together the philanthropy of the family and the drive and professionalism of Wates Group employees. Wates Giving is an important part of the Wates family's commitment to responsible business stewardship.

Through Wates Giving, the family invests in initiatives, proposed and championed by Wates people who identify projects that will have a positive impact on our communities. In every case, a formal application for funding is made by a Wates' employee to the Trustees who review and make awards on a quarterly basis.

Wates Giving also supports the personal causes that Wates' employees champion with their own time. This is resourced through (a) match funding for charitable initiatives and 'Give As You Earn' donations, (b) community grants for regular volunteering and (c) sports sponsorship for individuals and their families. In addition, Wates Giving supports the personal philanthropic causes of the Wates family.

In 2010 Wates Giving made 71 individual grants totalling £1.2 million across five areas of focus:

- Education, training and employment
- Community building
- Social enterprise
- Environment and energy sustainability
- Thought leadership

These themes will remain for 2011 with funding allocation increased by the Trustees to £1.4m

MY HOME FINANCE – SOCIAL ENTERPRISE

Wates Living Space works closely with several social landlords to improve homes in disadvantaged communities across the West Midlands and is in daily contact with families who struggle to make ends meet. Without bank accounts, many households are forced to borrow from loan sharks at punitive interest rates, pushing people even further into debt. To tackle this problem, the National Housing Federation launched My Home Finance in 2010, a high street service offering affordable loans, money advice, bank accounts and linked savings accounts to people on low incomes. My Home Finance is a social enterprise supported by the government, Royal Bank of Scotland and many housing associations in the West Midlands.

Since its launch 10 shops have opened across the region on high streets and in retail areas. Over half of customers are single mothers with young children who take out loans of around £300 over a 40-week period to cover subsistence needs such as food and clothes. Wates Giving has taken an equity stake in My Home Finance, and Living Space is represented on its regional board.

DOLLY PARTON'S IMAGINATION LIBRARY – EDUCATION, TRAINING AND EMPLOYMENT

To support Wates' work in improving communities across Luton with better schools and new housing, Wates Giving is financing Dolly Parton's Imagination Library, an innovative literacy programme that gives a book to children every month from birth until the age of five. More than 750 children had signed up for the scheme at the end of 2010 and it is expected to give away more than half a million books over the next three years. Retention rates on the scheme are very high and the Borough has also seen an increase in the numbers of mothers and babies coming along to sing and story-time sessions run in libraries.

MEDICINEMA – COMMUNITY GRANT

Christine Clarke, a Wates employee who volunteers at London's St Thomas Hospital applied for a Wates Giving community grant on behalf of Medicinema, which installs cinemas in hospitals and holds regular screenings for patients. The films give patients a break from hospital life to experience some normality or 'Big Screen Therapy', the term used by Medicinema. Wates Giving's £15,000 award is helping Medicinema expand this important service into other hospitals.

TOMORROW'S PRISONS – THOUGHT LEADERSHIP

The social and economic consequence of a rising prison population and high rates of re-offending are considerable. Wates Giving is funding a major piece of research, Tomorrow's Prisons, by the Institute of Public Policy Research (ippr), that looks at the future design and operation of prisons and other custodial facilities in England and Wales. A benchmark study appeared in April 2010 and the final report will be published in 2011. It will be used extensively by the Ministry of Justice as part of its Green Paper consultation "Breaking the cycle". The final report explores alternatives and suggests how changes to the justice system and local commissioning could cut re-offending rates and save public money.

CLEAN START

Social enterprise Clean Start employs ex-offenders to clear out and clean empty properties, and become 'work ready'. With a grant from Wates Giving, Clean Start (which was set up by Wates' client Trafford Housing Trust) was able to lease a new 7.5 tonne lorry and employ another six individuals. Around 75% of Clean Start employees have been able to move into full time employment and only 20% of those have gone on to re-offend (compared with the national average of 60% of males re-offending within two years), a result which improves long-term prospects for individuals and their families and reduces crime in the area.

Left to right: Carl Leather, Customer Service Neighbourhood Administrator, and Steve Lever, Team Leader - Clean Start.

