

## Corporate Assurance Group

This document defines the mission, specific terms of reference and operating principles of the Corporate Assurance Group (CAG).

### Mission and Strategy

The mission of CAG is to support Serco Group in achieving its strategic objectives, excellence in corporate governance and protecting the interests of its stakeholders by:

- leading the development, establishing and maintaining management systems, policies and standards that support the achievement of business objectives, reflect Serco's culture and comply with legal and regulatory demands
- assuring compliance throughout the business with the Serco Management System
- supporting Serco's operating businesses in developing and maintaining effective and efficient business processes that meet the business imperatives defined within the Serco Management System and specifically:
  - create an health and safety culture dedicated to eliminating accidents at work and work related ill health
  - embed environmental accountability to minimise environmental impact and promote sustainable development
  - embed social responsibility in the way we do business to optimise the positive impact we have on the communities within which we work.
  - enable business risk to be understood within the context of Serco's business portfolio and managed accordingly.

To support this mission CAG develops a strategy and specific plans that define its key activities. These are reviewed and agreed annually by the CAG board.

### Terms of Reference

Based on the 5 Foundation Stones that underpin Serco's strategy CAG supports the Board of Serco Group plc by defining Group policies, objectives and guidance to ensure compliance, improve business performance and reduce risk. This involves advising and assisting the operating businesses in the application of Serco Group policies and undertaking a management overview of the implementation and effectiveness of defined policies and guidance to provide compliance assurance and feedback.

CAG acts on behalf of the Board of Serco Group plc and reports to the Board via the Executive Chairman. Its terms of reference cover:

- Policy and Group Standards
  - draft, review and publish assurance related policy statements and standards
  - manage and ensure appropriate review of other Group policy statements and standards
- Risk & Crisis
  - maintain and manage the corporate risk register
  - support Serco Group in its response to a crisis

- Compliance
  - assuring business compliance with agreed policy statements and standards and core processes within the Serco Management System and the effective implementation and application of Group risk controls
- Guidance
  - develop and disseminate guidance and associated best practice tools associated with CAG's specific areas of responsibility
- Research
  - maintain current knowledge on assurance matters
- Relationship management
  - maintaining appropriate contact with the business divisions and other Group support functions
  - sponsor specialist working groups
  - develop and maintain relationships with appropriate regulators and external bodies
- Strategy
  - support the development of Group and divisional strategies in relation to assurance related activities
- Support
  - support divisions in the implementation of Group assurance policy statements and standards
  - support divisions in the development of existing and new business
  - the development and on-going application of the Serco Management System
- Investigations
  - undertake as appropriate investigations into incidents/events.
- Communication
  - prepare external reports and presentations and raise understanding of how Serco manages assurance and its corporate responsibilities
  - raise internal awareness and understanding in relation to how Serco manages assurance and its corporate responsibilities

## Operating Principles

### Interfaces

Responsibility for assurance and corporate governance activities is shared between CAG and other groups or individuals as follows:

- **Serco Group plc Board** - retains executive responsibility for all aspects of assurance and corporate governance. CAG supports the Board in fulfilling its responsibilities in these areas.
- **Audit Committee** - responsible for oversight of the internal financial controls and for the direction of the outsourced internal auditors. CAG supports the activities of the outsourced internal auditors as instructed by the Serco Group Board Audit Committee.
- **Corporate Communications/PR** – responsible for external communications. CAG provides information and supports such communications in relation to assurance issues.
- **Company Secretary** - responsible for compliance with Stock Exchange and UK Company Law requirements. CAG provides support to the Company Secretary in the development and dissemination of appropriate policies, guidance material and reports.
- **Business Divisions** – CAG's specific terms of reference detail the support provided to the Business Divisions. CAG's focus is to deliver appropriate support that adds value to their business in relation to assurance issues. A series of network groups facilitate this process.
- **Related Functions** (HR, Group Finance, Insurance etc.) - responsible for the development of policies and the dissemination of guidance material within their specialist areas. CAG is responsible for supporting these functions by controlling and disseminating policy documents and for providing an oversight of the implementation of these policies.

- **Serco Best Practice Centre** – responsible for learning and development within the organisation. CAG works in conjunction with sbpc to develop best practice in relation to assurance issues.

## Management Board

CAG is responsible to the Board of Serco Group plc and reports to the Executive Chairman. Its activities are directed by a Board. The terms of reference, including purpose, composition and duties, for the Corporate Assurance Board are provided in Attachment 1. The Board meets quarterly and is chaired by the Executive Chairman.

## Operation

CAG undertakes its activities according to the following operating principles:

- **5 Foundation Stones** – all work undertaken by CAG reflects and endorses the framework and principles defined within the 5 Foundation Stones and specifically Serco's governing principles
- **Serco Management System** – CAG operates within the context of the Serco Management System
- **Networked structure** – networking principles are used at three levels:
  - in specialist areas CAG utilises professionals from within the operating businesses to provide specialist support, advice and information to support research and development, internal audit and reporting requirements
  - gaining global integration and application
  - liaison with appropriate external bodies
- **Steering groups** – integration with the business is principally supported through two steering groups:
  - Assurance Steering Group – focusing on general assurance and regulatory matters. It comprises divisional assurance and relevant group function representatives
  - Social Responsibility Steering Group – focusing on non-regulatory activities that reflect Serco's governing principles and contribute to Serco being a socially responsible and sustainable business. It comprises divisional champions and relevant group function representatives.These two groups meet at least twice per year.
- **Network and oversight groups** – CAG facilitates the following network and oversight groups:
  - Risk
  - Environment
  - Aviation safety

In addition CAG supports the rail safety oversight group that is facilitated by Serco Integrated Transport.

## **Attachment 1 – Corporate Assurance Board Terms of Reference**

### **Constitution & Purpose**

The Corporate Assurance Board reports to the Executive Team and is responsible for reviewing the risk management process and output, internal audit processes, programs, progress and output and the quarterly assurance report.

### **Membership**

The Corporate Assurance Board will consist of the following members:

- Executive Chairman
- Finance Director, Serco Group
- Global Operations Director
- Company Secretary
- Director Assurance
- Group Financial Controller

A quorum shall be any three members of the Board.

The Executive Chairman will be Chairman of the meeting.

The Director Assurance shall be Secretary of the Board.

### **Attendance at Meetings**

Independent professional advisors, specialists from within the company and representatives from JV Companies may be invited to attend at the discretion of the Chairman

### **Frequency of Meetings**

Meetings will be held quarterly.

### **Duties**

The Corporate Assurance Board has the following responsibilities:

- To review the risk management framework and processes satisfy itself that there is a sufficient and systematic review of the risk management arrangements across the business
- To review the findings of the Risk Oversight Group
- To ensure that appropriate disaster recovery and contingency plans are in place and are tested regularly
- To review and approve the internal audit strategy and the annual plan and monitor delivery of the plan, approving any changes during the year
- To ensure that the audit priorities reflect business risks
- To receive and consider internal audit reports on significant audit findings, together with the response from managers to these reports;
- To obtain assurance that internal audit recommendations are implemented by management as timetabled
- To review the Group quarterly assurance report.

## Reporting

Minutes of the meeting will be available to the Global Management Board for their consideration as part of a review of risk management and assurance.

## Standard Agenda

The minimum standard Agenda for the Corporate Assurance Board meeting is set out below:

- Actions from the last meeting
- Review quarterly assurance report
- Review of risk management process and findings
- Review of internal audit process and findings
- Date of next meeting