

Procurement and Supply Chain



Effective procurement significantly contributes to the delivery of our vision to be the world's greatest service company. We will be professional in all our dealings with suppliers and establish a relationship where suppliers will want to do business with Serco again and are motivated towards Serco becoming the 'Customer of Choice'.

Our suppliers play a critical role in our ability to deliver.



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Document details

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Reference

SMS GS – PSC1: Procurement and Supply Chain

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Applicability

Serco Group covering all business regions, operating companies and business units throughout the world¹

Authority

Chief Executive, Serco Group plc

Group Policy Sponsor

Group Operational Efficiency Director

Group Policy Owner

Chief Procurement Officer, Serco Group plc

Key Responsibilities

Policy achievement: Executive Committee

Policy implementation: Divisional Chief Executive

¹As used herein, Serco Group and its affiliates, subsidiaries and operating companies are referred to as "Serco", the "Company" or "company", or "we", "us" or "our".

Supporting standards, standard operating procedures and guidance relating to this Group Standard are available on 'Our World', under Serco Management System.

1 Objectives

Effective procurement significantly contributes to the delivery of our vision to be the world’s greatest service company.

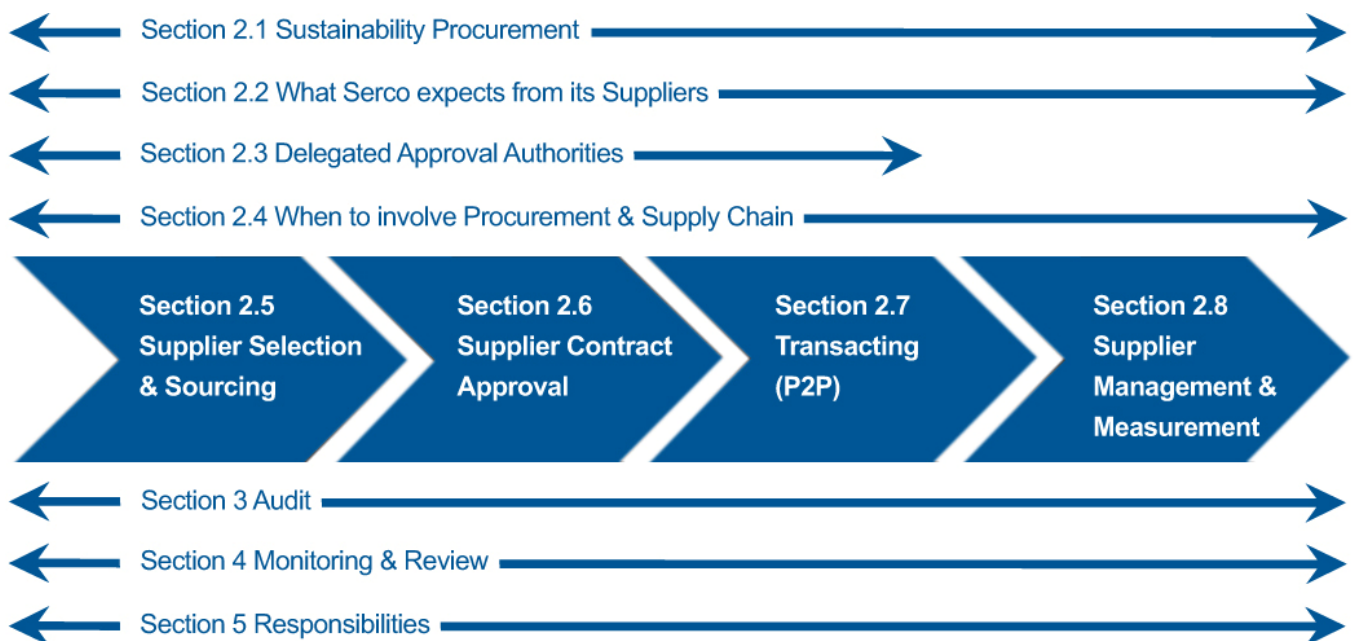
To achieve this we will apply a consistent procurement process in selecting and using suppliers, so that we:

- comply with laws and regulations and other requirements applicable to the locations in which we operate our business
- derive maximum value from our spend, either through appropriate procurement strategies, such as low cost, technically acceptable or best overall value, whilst mitigating risks to business and customer objectives; and meeting our customer service requirements
- reflect our ethical standards and code of conduct throughout our supply chain and ensure that sourcing initiatives are fair and ethical to both Serco and the participating suppliers
- work collaboratively to deliver sustainable value; maintain the integrity of our procurement process; and drive continuous improvements
- consider social and environmental and other factors important to our clients and the communities within which we operate in the supply chain
- manage business and financial risk through the application of Value Based Management and Total Cost of Ownership principles.

We will be professional in all our dealings with suppliers and establish a relationship where suppliers will want to do business with Serco again and are motivated towards Serco becoming the ‘Customer of Choice’.

To achieve these objectives Divisions will implement procurement systems and procedures for each stage of the procurement process (Figure 1) which are flexible enough to respond to changing business and customer requirements, reflect the various jurisdictions they operate in and meet these minimum standards.

Figure 1 Overview of key stages in the Procurement Process and related Standards



2 Standards

2.1 Sustainable procurement

Serco has defined sustainable procurement as meeting its needs for products, services, works and utilities that achieve value for money on a whole life basis in a way that delivers tangible social, environmental and economic outcomes important to our clients and the communities within which we operate. Our goals are that:

- S1. Sustainable procurement will be considered during the procurement process. Where possible Serco will do all it can to seek to avoid adverse impact on the environment.
- S2. Relationships with suppliers will be based on fair and honest dealings.
- S3. Serco will manage its procurement and supply chain with the aim of:
 - expecting fair pay and working conditions consistent with the goals of Serco and its clients and increasing sourcing of fairly traded goods
 - promoting supplier diversity where this can improve innovation and effectiveness of our supply base, acts against discrimination, and serves the interests of our clients
 - fostering local economic development, entrepreneurship and innovation
 - promoting health and wellbeing for our people, the projects on which we work and within the supply chains that support them
 - promoting practices that reflect responsible environmental management consistent with the locations in which the business is operated
 - minimising waste and maximising resource efficiency, re-use and recycling where possible and consistent with the goals of our clients
 - reducing the full life-cycle impact and cost of products and services (in particular waste disposal) where possible
 - supporting the maintenance and winning of contracts
 - evaluating and proposing plans for reducing and mitigating supplier risk

- supporting our people's professional development to ensure we have the understanding and skills to achieve success in sustainable procurement, by treating suppliers in a fair and reasonable manner and engaging with the supplier to work towards joint solutions where suppliers or products used have a high risk of environmental impact.

2.2 What Serco expects from its suppliers

In reviewing the overall suitability and performance of suppliers the following expectations will be assessed and considered in the procurement process:

2.2.1 Regulatory compliance and business integrity

Throughout Serco's supply chain, suppliers will be required, either by contract terms and conditions or otherwise in its business dealings with Serco, to:

- S4. Conduct their business in accordance with the highest standards of integrity, honesty and openness. Serco will never knowingly use suppliers whose values do not reflect appropriately on our own.
- S5. Recognise, comply with and respect laws applicable to their operations and those governing the Serco-supplier relationship.
- S6. Act in accordance with fair business, marketing and advertising practices.
- S7. Comply with all national and other applicable law and regulations.
- S8. Establish and maintain ethical and other standards that are, at a minimum, consistent with Serco's Business Conduct and Ethics Group Standard.
- S9. Never offer, promise, give, accept, condone, knowingly benefit from, or demand a bribe or other improper advantage.
- S10. Never offer, promise or give payments to foreign public officials ('Facilitation Payments') unless required by local written law.
- S11. Support Serco's commitment to sustainable procurement.

- S12. Maintain an appropriate compliance and ethics programme that reflects the legal and ethical requirements applicable to the supplier's business and its business dealings with Serco.
- S13. Ensure provision of appropriate guidance to their employees and sub-contractors, applicable in its business dealings with Serco, to implement this Standard's requirements.

2.2.2 Health and safety

Throughout Serco's supply chain, suppliers will be required, either by contract terms and conditions or otherwise in its business dealings with Serco, to:

- S14. Assign responsibility for health and safety to a responsible supplier official.
- S15. Provide a safe and healthy working environment consistent with the legal requirements applicable to the supplier's business and its business dealings with Serco.
- S16. Take appropriate and reasonable steps to prevent accidents and injury to health by minimising the causes of hazards present in the working practice and environment.
- S17. Provide workers with suitable and sufficient health and safety training consistent with legal requirements and sound business judgement, in order that they fully understand the hazards associated with the work activity they are required to undertake and how to minimise any risks.
- S18. Seek to provide the highest standards possible of worker welfare facilities.

2.2.3 Equality and diversity

Throughout Serco's supply chain suppliers will be required, either by contract terms and conditions or otherwise in its business dealings with Serco, to:

- S19. Respect and promote the equality of opportunity consistent with the legal requirements for suppliers' business, the jurisdictions in which they operate, and the law governing the contract with Serco; including, for example and as applicable within such jurisdiction, matters as they relate to sex, race, colour, sexual orientation, gender identity/expression, trade union activity, political belief, religion, marital status, caring responsibilities, national or ethnic origin, disability, age or citizenship.

- S20. Maintain an appropriate employee relations environment and consider diversity in recruitment and dealings with employees.

- S21. Establish an appropriate system for remuneration and benefits, training, personal development and compliance with laws and regulations of the countries within which it operates and of the laws governing its contractual relationship with Serco.

- S22. Respect labour and union rights and obligations applicable to the supplier and its business, and its business dealings with Serco.

- S23. Never use forced, compulsory or child labour, and never engage in any form of trafficking in persons or procurement of commercial sex acts. All labour is voluntary, adheres to minimum ages stated in applicable labour laws or international standards and employees are free to leave in accordance with established laws, regulations, and rules.

- S24. Respect the security of the individual by not engaging in or benefiting from any activity that violates humanitarian law or supports or encourages the abuse of human rights.

- S25. Respect the environment of the countries in which we operate and seek to contribute to the wider goal of sustainable development.

2.2.4 Transacting with Serco

Throughout Serco's supply chain suppliers will be required, either by contract terms and conditions, or otherwise in its business dealings with Serco, to:

- S26. Comply with Serco's supplier risk management assessment and on boarding process.

- S27. Comply with the terms and conditions of Serco's contract with the supplier, including Serco's Purchase Order (PO) Terms and Conditions as a minimum.

- S28. Only provide goods or services on receipt of an approved purchase order ('PO') or other binding contractual commitment, thus complying with Serco's 'No PO No Pay' Policy. (With the exception of 'purchase order exempt' transactions as governed by Serco.)

- S29. Actively support electronic Procurement (eProcurement) in Serco and other means established by Serco to implement more efficient procurement methods, including on-line/on-system ordering, e-invoicing, purchasing card, etc.

- S30. Send invoices to the relevant Shared Service Centre (SSC) (or relevant location where a specific region has no applicable SSC) for processing as identified in the contractual document with the supplier.

Serco will not do business with a supplier where serious breaches of this Procurement and Supply Chain Standard are identified and where the supplier consistently fails to take corrective action within an agreed timescale.

2.3 Delegated Approval Authorities

All procurement activity is governed by the Serco Group plc Delegated Approval Authorities and the Divisional Delegation of Authority, as applicable. The levels of authority are mandatory and can only be amended or suspended by the Serco Group plc Board.

- S31. Where appropriate Regional Chief Executives will define additional delegated authorities within their area of operations.
- S32. All employees will make themselves aware of and adhere to the delegated authorities applicable to the transactions they execute or propose.
- S33. Procurement and Supply Chain will report any departure from compliance of the delegated authority relating to the procurement of goods and services.

2.4 When to involve Procurement and Supply Chain

Recognising the need for effective sourcing and negotiating strategies it is important that Divisions engage and co-ordinate with the relevant Divisional Procurement Chain Directors in a timely manner as expenditure requirements and budgets are known.

In accordance with the Serco Group plc Delegated Approval Authorities:

- S34. **Bids:** Procurement and Supply Chain Chief Procurement Officer or relevant Divisional Procurement Director (in accordance with the Delegated Approval Authority) will be notified at Gate 1 for all bids of £1,000,000 or greater annual turnover, or £250,000 or greater cumulative third party expenditure; and will sign off the third party input into all bids of £5,000,000 or greater annual turnover or £1,000,000 or greater cumulative third party expenditure. This includes the selection of third party Partners in relation to bids and proposals.

- S35. **Supplier Contracts:** prior to any commitment or signature of any type of supplier contract for goods or services (to include Letter of Intent; Memoranda of Understanding; Intention to proceed; Letters of Arrangements; Heads of Agreements/Heads of Terms; Contracts; Agreements; Term Sheets; e-Auction Agreements; Proposals or Quotations), a commercial review will be undertaken by the relevant Divisional Procurement Director for any contract £150,000 or greater.
- S36. **Purchases:** all purchases of £50,000 or greater (whether individual Purchase Orders or accumulative successive Purchase Orders) will be made through Serco's relevant Divisional Procurement Director. (With the exception of Purchase Order Exempt transactions).
- S37. **Preferred Suppliers:** the use of preferred suppliers is mandatory. The use of any other supplier is subject to the approval of the relevant Divisional Procurement Director.
- S38. **Capital Expenditure:** capital expenditure greater than £50,000 will be reviewed by the relevant Divisional Serco Procurement Director, in accordance with Delegated Approval Authorities and the Capital Expenditure Process.
- S39. **Operating Lease:** any operating lease arrangement will be reviewed by the relevant Divisional Serco Procurement Director, or, upon delegation, the appropriate Divisional Finance representative.
- S40. **High Risk or High Importance Contracts:** these are detailed in section 2.6.2 and defined in section 6. In addition, suppliers will have in place a code of conduct and provisions to ensure compliance with international, national and local anti-bribery and anti-corruption laws, as well as other applicable laws.

2.5 Supplier selection and sourcing

2.5.1 Supplier selection

- S41. Divisions will implement a supplier selection and registration process that as a minimum will ensure:
- supplier selection does not undermine Serco's Preferred Supplier List (PSL)
 - commercial engagements with new suppliers are conducted under a Non-Disclosure Agreement

- supplier selection is subject to competition, except to the extent that appropriate sourcing justifications may be considered where the Divisional Procurement Director determines that Serco's interests are properly served
 - suppliers have the opportunity to raise questions and request clarifications as part of the sourcing process
 - suppliers have access to the same information upon which a selection decision would be made and such information will be shared generally, except where this would compromise supplier innovation or intellectual property
 - selection criteria will include, but are not limited to, low cost or best value, past performance, sustainability, ethics, health and safety, supply risk and financial risk, and other criteria appropriate to the procurement opportunity
 - Serco standard terms and conditions are complied with. Any deviation must be subject to review by commercial and/or legal representatives within the Division, and Divisional Procurement Chain Directors (or their delegates)
 - suppliers actively support eProcurement in Serco and other means established by Serco to implement more efficient procurement methods, including on-line/on-system ordering, e-invoicing, purchasing card, etc.
 - a clear audit trail exists that captures document transmission between Serco and suppliers to allow continuous benchmarking to ensure that the quality, cost and capabilities of the goods and services purchased are aligned with Serco needs and market conditions.
- S42. While lowering costs is important and a key goal, where appropriate, suppliers will be reviewed on a 'best value' basis and assessed against a Total Cost of Ownership (TCO) model.
- S43. Serco staff and their associates will not accept gratuities of any nature from suppliers that form part of any supply arrangement. The provision or offer of any such gratuities will be reported to the Divisional Procurement Director.
- S44. Serco staff will critically assess and declare any conflict of interest in any supply arrangement and remove themselves from any negotiations and subsequent purchasing decisions involving a supplier where a direct or indirect conflict of interest exists.

2.5.2 Supplier diversity

Serco promotes an environment in which inclusion is fundamental to what we do, celebrating the diversity of both the communities it serves and the people it employs within its business. A Supplier Diversity Standard is a natural extension of Serco's culture.

Small firms, voluntary and community organisations, social enterprises and ethnic minority businesses are considered members of Serco's supply chain as they play an important role in the local economy and contribute to social cohesion.

- S45. We will work with Minority Supplier Development organisations where available to encourage diverse suppliers to participate in its procurement processes on a local basis for the supply of goods and services.
- S46. Serco's procurement processes will be objective, transparent and non-discriminatory.
- S47. Serco will not place targets or quotas for the allocation of contracts to diverse suppliers unless required by the customer or recognised as responsive to customer requests for a proposal or quote.

2.5.3 Supplier classification

- S48. Procurement and Supply Chain will classify selected suppliers to Partner, Preferred, Approved, Unapproved and Debarred. (Refer to section 6 Definitions.)

2.5.4 Cross-Divisional spend management

- S49. Serco Category Teams (SCT) will be established where appropriate and where significant cross-Divisional spend is identified to ensure the procurement of these goods and services is optimised in terms of quality, total cost of ownership and value for money.
- S50. A Procurement and Supply Chain Executive Board will be established to:
- determine and oversee the implementation of the Procurement and Supply Chain strategy, vision and policy
 - oversee the successful running of SCTs, including ways of working, issue resolution and policy approvals
 - enhance co-ordination and communication at the Executive level and promote a commitment to the overall Procurement and Supply Chain strategy and vision.

2.5.5 Preferred suppliers

- S51. Where a preferred supplier is in place it is mandatory and will be used for the term of the arrangement unless an exception has been agreed in advance with the relevant Serco Category Team or a Divisional Procurement Director.
- S52. Consideration may be given to revised submissions from preferred suppliers submitted to rectify any discrepancy should the preferred supply agreement not represent best value.
- S53. Existing approved or unapproved suppliers within the same supply category will not be used once a preferred supplier has been appointed, unless there is an emergency situation that puts the business or personnel safety at risk, or otherwise approved by the SCT or a Divisional Procurement Director.
- S54. Procurement and Supply Chain will investigate and report to the Procurement and Supply Chain Executive Board repeated breaches of the Procurement and Supply Chain Policy and Standard.

2.6 Supplier contract approval

It is important that Serco only enters into contracts which are fair and ethical to Serco and participating suppliers and that they do not compromise our position with regards to service, commercials, competitive advantage, cost management and

Serco's Governing Principles.

S55. Divisions will delegate specific authority to a competent individual(s) to be responsible for the review, approval and management of supplier contracts. Only these authorised Procurement and Supply Chain representatives may execute contracts with suppliers to Serco.

2.6.1 Contract discussions

A 'valid contract' does not necessarily come in the form of a 'formal document' constructed by procurement and/or legal teams. Supplier contracts come in many forms which bind Serco to the terms and conditions contained therein. These include, but are not limited to:

- Letter of Intent
- Memoranda of Understanding
- Intention to proceed
- Letters of Arrangements
- Heads of Agreements (or Heads of Terms)

- Contracts
- Agreements
- Non Disclosure Agreements
- Term Sheets
- E Auction Agreements
- Proposals or Quotations requiring a signature/ email agreement
- Purchase Orders.

- S56. All supplier contracts will be in accordance with Serco's Standard Terms and Conditions of Contract, unless exceptions are approved generally or specifically by the Chief Procurement Officer (or a Divisional Procurement Director) and the Divisional legal representative.
- S57. Serco's standard payment term is 45 days. Deviation from this standard requires Divisional Finance Director written authority prior to any agreement with the supplier.
- S58. Where possible supplier contracts should be 'open book'.

2.6.2 High Risk and High Importance contracts

- S59. All supply contracts will be risk assessed to identify specific supply contracts that are 'High Risk' and/or 'High Importance'. (Refer to section 6 Definitions).
- S60. For all High Risk and/or High Importance supplier contracts, the contract with the supplier should include appropriate provisions to address or mitigate the risks identified and be reviewed by Divisional Procurement and Supply Chain prior to any agreement being reached or signature.

2.6.3 Contract approval and documentation

- S61. Unless executed on Serco's standard form or pursuant to Serco's standard terms and conditions, all supplier contracts will undergo an appropriate review and approval by procurement, technical, legal, tax and financial, as the case may be depending upon the nature of the deviation from Serco's standard contractual requirements, before being signed in accordance with the Delegated Approval Authorities.

- S62. All approvals will be in accordance with Serco Group plc Delegated Approval Authorities.
- S63. All preferred suppliers will be reviewed and approved by the Procurement and Supply Chain Executive Board.
- S64. Prior to any commitment or signature of any type of supplier contract for goods and services (as listed in section 2.6.1, with the exception of Non-Disclosure Agreements), a commercial review will be undertaken by Procurement and Supply Chain Procurement Director for any contract £150,000 or greater.
- S65. For any contract over £50,000 contract documents will include:
- General Conditions of Contract
 - Special Conditions of Contract (if applicable)
 - Specifications/Scope of Services/Works (as applicable)
 - Other Contract Requirements, including Safety, Health and Environment
 - Pricing (Item pricing or schedule of rates)
 - Service Level Agreements (SLA)
 - Key Performance Indicators (KPI)
 - Management Information and Reporting requirements.
- S66. Documents will be retained in accordance with the Document Retention Standard Operating Procedure.

2.7 Transacting (P2P)

Serco wishes to apply a consistent approach to the requisitioning process and to optimise the value delivered from contracted suppliers whilst improving procurement efficiencies, and minimising exposure to commercial risk.

- S67. The Serco Procure to Pay (P2P) process will be followed.
- S68. All purchasing activity will be in accordance with the Serco Group plc Delegated Approval Authorities; and Divisional Delegation of Authority and procurement requirements, including Serco's Standard PO Terms and Conditions and Serco's 'No PO No Pay' Policy.

- S69. Serco has standard payment terms as set out in the PO Terms and Conditions, it is expected that all employees and suppliers will honour them.
- S70. The lowest cost and most efficient transaction method will be used.
- S71. Purchase orders (PO) will be raised only with appropriate approvals in place and prior to any commitment being made to the supplier, whether there is an existing supply contract or not.
- S72. From satisfactory receipt of the goods or services the purchase order will be Goods Received (GRN) within five working days.

2.8 Supplier management and measurement

- S73. Procurement and Supply Chain and Divisions will put in place systems and processes to monitor and review supplier arrangements and performance.
- S74. All preferred suppliers will be subject to formal performance reviews so Serco can evaluate supplier performance, upgrade relationships, resolve conflicts and enable Serco to identify alternative suppliers and track supplier performance in the marketplace.
- S75. Suppliers who surpass the performance and other standards we expect for their products and/or services, especially for ethical or sustainability performance, will be recognised in future procurements through consideration given in the evaluation process.
- S76. Serco actively seeks innovation opportunities from its suppliers.
- S77. Serco welcomes and will fairly consider supplier efforts to voluntarily identify activities (undertaken by themselves or sub-contractors) that fall below the ethical or performance standards expected.
- S78. Serco will not do business with a supplier where serious breaches of these Standards are identified and where the supplier consistently fails to take corrective action within an agreed timescale.

3 Audit

Serco will ensure that procurement systems and procedures are audited and this will be a key element of assurance.

S79. Compliance with this Group Standard will be audited as part of an audit programme.

S80. Audits will:

- be conducted according to planned arrangements
 - be carried out by competent personnel, independent of the activity, process, control or organisational area
- evaluate compliance with legal and other requirements.

- include detailed assessment of the effectiveness of the procurement systems and procedures, the level of compliance, and where necessary, identify corrective actions and pursuit of remedies

S81. Audit results will be recorded and reported to management.

S82. Systems will be in place to ensure that actions arising out of audits will result in amendments to agreements and changes in procedures and are documented, communicated, followed up and completed.

S83. Learning will be shared across the organisation and with stakeholders and others as appropriate.

S84. Outstanding/overdue actions will be reported to the senior management team as necessary.

4 Monitoring and Review

4.1 Management review

Serco recognises the importance of senior management reviewing the operation of procurement systems and procedures to assess whether they are being implemented as intended and remain suitable for achieving their aim.

S85. A process will be in place to ensure that annual reviews are carried out of procurement systems, procedures and preferred supplier performance to ensure their continuing suitability, adequacy and effectiveness.

S86. The process will ensure that:

- the necessary information is collected to allow management to carry out this evaluation
- the review considers any need for changes to this Standard in light of any audit results, changing circumstances and the commitment to continual improvement
- the review and significant findings are documented.

5 Responsibilities

5.1 All employees and contractors

All employees and contractors who have dealings with suppliers, either as a user or requisitioner, or as a procurement representative, are responsible for:

S87. Ensuring they are familiar and comply with this Standard, Serco's standard Purchase Order and Contract Terms and Conditions.

S88. Ensure their suppliers know and comply with what is expected of them in relation to this Standard and the applicable terms and conditions of the supplier's contract.

S89. Individuals/employees consistently found to breach this Standard will be subject to disciplinary action.

5.2 All managers

S90. Managers are responsible for implementing the Standard, monitoring its implementation in the everyday procurement activities with respect to their operations and reporting to their Contract Board or functional management.

5.3 Group Chief Executive

Group Chief Executive is responsible for:

- S91. The achievement of this Standard.
- S92. Acting on and rectifying reported non-compliance to this Standard from the appropriate Procurement and Supply Chain organisation.

5.4 Executive Committee

Regional Chief Executives are responsible for:

- S93. The achievement of this Standard.
- S94. Implementing the Standard and overseeing the monitoring of its implementation in the everyday procurement activities of their area of responsibility and reporting to their Division.
- S95. Acting on and rectifying reported non-compliance to this Standard from the appropriate Procurement and Supply Chain organisation.

5.5 Legal entity directors entering into a contract

Legal entity directors entering into a contract will:

- S96. Be accountable for ensuring that all appropriate approvals (including Procurement and Supply Chain) are in place before a contract is signed.
- S97. Be accountable for ensuring that a supplier signature is obtained on all contract documents.
- S98. Be responsible for ensuring that the original, signed hard copies of all contracts are safely and securely stored; and for the signed supplier contracts to be scanned into PDF electronic copy and maintained in the Divisional Procurement and Supply Chain organisation for retention.

5.6 Business Unit/Functional Management

S99. Are responsible for implementing the Standard, monitoring its implementation in the everyday procurement activities of their Business Unit/Function and reporting to their business unit Board.

S100. Identify competent individual(s) responsible for the selection, review, approval and management of supplier contracts (in accordance with the Delegated Approval Authority). Only these authorised Procurement and Supply Chain representatives may execute contracts with suppliers to Serco.

5.7 Contract Management

- S101. Are responsible for implementing the Standard, monitoring its implementation in the everyday procurement activities of their Contract and reporting to their Contract Board or equivalent.
- S102. Be accountable for ensuring that all appropriate approvals (including Procurement and Supply Chain) are in place before a contract is signed.
- S103. Be accountable for ensuring that a supplier signature is obtained on all contract documents.
- S104. Be responsible for ensuring that the original, signed hard copies of all contracts are safely and securely stored; and for the signed supplier contracts to be scanned into PDF electronic copy and maintained in the Divisional Procurement and Supply Chain organisation for retention. Documents are to be retained in accordance with the Document Retention Standard Operating Procedure.

5.8 Divisional Procurement Director

S105. Is responsible for monitoring the implementation of this Standard, measuring compliance to policies and reporting to the Regional Chief Executive and, as appropriate, the P&SC Executive Board.

5.9 Assurance

S106. Is responsible for reviewing this Standard and ensuring that it is kept up to date with changes in legislation. It is also responsible for the development of guidance and training on the implementation of this Standard and for providing appropriate reports to the Serco Group plc Board.

⑥ Definitions

Term	Definition
Total Cost of Ownership	An estimate of all direct and indirect costs associated with an asset, service or acquisition over its entire lifecycle.
Value Based Management	Identification and husbandry of factors that create or destroy value (such as assets, policies and process) to maximise shareholder value.
Supplier Classifications	<p>Are defined as:</p> <ul style="list-style-type: none"> • Partner – Long term relationships for mutual benefit to affect the most efficient supply chain and innovation • Preferred – Formal commercial review carried out; market leaders/strong product or service offering; high value; Group or Divisional applicability potential; expectation of longer agreement • Approved – Customer nominated and limited to specific sites related to that Customer • Unapproved – Often one off limited business risk purchases, low value where the focus is to minimise transacting costs • Debarred or prohibited suppliers.
'High Risk' Supplier Contracts	<p>A supplier which presents a higher level of compliance risk because of the presence of one or more of the following factors:</p> <ul style="list-style-type: none"> • is based in or supplies goods/services from a high risk country (as per generally accepted corruption index) • has a reputation in the business community for questionable business practices or ethics; or • has been convicted of, or is alleged to have been involved in, illegal conduct and has failed to undertake effective remedial actions • unacceptable level of liability to Serco, i.e. where the burden is on Serco • no or unacceptable Termination for Convenience Clause for Serco to exit contract • supplier has a low supplier evaluation score • any Exclusive Supply Agreements • high supplier or Supply Market Price volatility • contract value is more than 50% of the current annual revenue of the supplier • Key Service Level Agreements (SLAs) or Liquidated Damages penalties have not been backed-off from Prime Contract, so Serco will be exposed by poor supplier performance • supplier has to conduct a material increase in resources/capital equipment to meet contract requirement.
'High Importance' Supplier Contracts	<p>Contracts that meet any of the following criteria:</p> <ul style="list-style-type: none"> • contract term of more than three years • contract with a strategic supplier • initial contract, that will be followed up with a number of material follow on contracts in the near future • Sole Source Supplier, or key supplier for a Project • contract is not awarded to a Preferred Supplier.