

Bringing service to life

serco



Serco Management System

Defining the way we run our business

serco

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I. The Five Foundation Stones

Our vision is to be the leading service company in our chosen markets. We will achieve this through the application of our 'Five Foundation Stones'. These define the way we run and grow Serco. They set out the services we wish to provide, our behaviours and the way we manage our business. They form the foundations from which our systems and processes are developed and ensure we are all working from a commonly understood base that can be consistently applied across our organisation.

1. Our governing principles

- the behaviours we expect to see

We foster an entrepreneurial culture

We succeed by encouraging and generating new ideas. We trust our people to deliver, we embrace change and by taking measured risks encourage creative thinking.

We enable our people to excel

We are responsible to each other and can expect support when we need it most. We expect our people to achieve more by recognising and harnessing the power of individuals. We value people for their knowledge, ideas and potential to contribute.

We deliver our promises

We only promise what we can deliver. If we make mistakes we put them right. We are clear about what we need to achieve and we expect to make a fair profit.

We build trust and respect

We never compromise on safety and we always operate in an ethical and responsible manner. We listen, in doing so we treat others as we would wish to be treated ourselves and challenge when we see something is wrong. We integrate with our communities.

2. Management system policy statement

2. Our business model

- the way we wish to build the business

Long term relationships in which there is opportunity for continuous improvement, organic growth and value creation.

3. Our business offering

- the services we wish to provide

Assured delivery of services, innovation and organisational change to help our clients in achieving their ambitions.

4. Our organisational model

- how Group, Divisions and Business Services interact

Group focuses on the external stakeholder relationships, setting the strategic direction for the Group and maintaining the appropriate controls on the underlying business.

Divisions focus on delivering the value and growth.

Business Services focus on helping the divisions achieve the right returns at the most cost effective rate.

5. Our operating principles

- the principles by which we will manage the company

We have a simple and efficient organisation.

We operate an effective governance framework.

We encourage strong and capable leaders.

The Serco Management System provides the framework within which all parts of Serco must operate, enabling us to assure good governance, behave consistently across our global business portfolio and deliver the Five Foundation Stones of our business strategy: our governing principles; our business model; our business offering; our organisational model; and our operating principles.

The system defines the minimum standards expected. Our commitment is to:

- deliver a business strategy that contributes to our vision and achieves business objectives
- continually develop a sustainable business
- achieve customer satisfaction by delivering services and products of high quality, reliability and consistency that meet or exceed our customers' requirements
- maintain sound systems of financial control to safeguard shareholders' investments and our assets
- create, develop and lead highly motivated teams who have up to date competencies and skills and live Serco's values
- use technology to support internal processes and deliver enhanced capability to our customers
- maintain a safe, healthy and sustainable working environment for our staff, those we work for and with and the general public
- support and make a positive impact on the communities in which we work
- manage the risks associated with our activities and minimise the impact of undesired and unexpected events
- ensure governance of the business and safeguard the reputation, value and assets of the company

All activities across the entire Serco organisation are to operate within the framework defined by the management system by establishing, implementing and continually improving the effectiveness of appropriate systems, processes and procedures to apply Group policy and to ensure compliance in its application.

3. The Serco Management System

The Serco Management System directly supports the Five Foundation Stones by providing a framework within which we must all operate. At the heart of the system is a set of business imperatives. These relate to:

- Business strategy
- Business development
- Business operations
- People management
- Technology and information
- Health, safety and the environment
- Community engagement
- Financial management
- Business risk
- Business governance

Each imperative is supported by a number of expectations that define the minimum standards the company expects. All business operations must fulfil these expectations for which effective management processes will be essential. Several processes may be required to deliver the intent of a particular expectation. In certain cases these expectations will be linked to and require compliance with specific Serco policy standards detailing how the expectation will be delivered.

It is the responsibility of management, at every level throughout the organisation, to put appropriate systems and processes in place and ensure that they are being applied and are effective. The terminology and format used is a matter for local choice as long as it is clear, the intent easily understood and that it is linked back to all relevant expectations within the Serco Management System.

Ensuring all activities achieve the required expectations will deliver the business imperatives, cement the Five Foundation Stones and directly support our vision of being the leading service company in our chosen markets. The application of the Serco Management System is therefore mandatory for every activity across the entire Serco organisation. How this is done within a particular activity will be appropriate to national legal and regulatory requirements, local policy and procedures as well as the operational risk profile of the activities.

Recognising the impact that our partners and other third parties may have on our operations and reputation we expect them to achieve the same high standards that we set ourselves and they should operate to similar systems and procedures that meet our expectations.

4. Document hierarchy

The Serco Management System is hierarchical, where documents and systems must meet and support the requirements of those of higher levels. This hierarchy comprises:

Document hierarchy

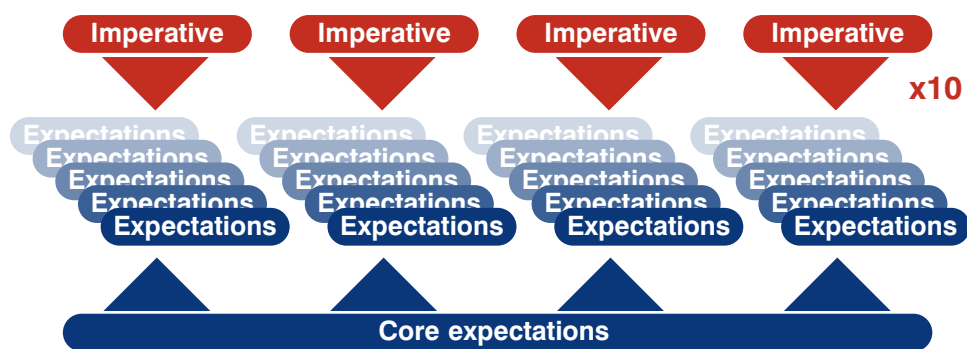


- The Five Foundation Stones define the way we run and grow Serco and apply across the organisation as a whole
- The management system policy statement summarises and details Serco's high level commitment to the implementation of the management system. This is approved by the Serco Group plc Board and mandated across all Serco's operations
- The Serco Management System defines the framework within which all parts of Serco must operate.
- Policy statements and standards mandate specific requirements across the whole business relating to a specific topic where it is important that actions are carried out consistently across Serco
- Divisional systems and processes may consist of both mandatory and advisory documents. These apply only to the division and the business units controlled by them
- Business unit operating procedures apply within the business unit where they are issued.

5. Business imperatives and expectations

The following imperatives and associated expectations apply across all Serco's business activities. They must be applied in conjunction with the set of core expectations. The interrelationship of these elements is illustrated below

Document structure



Core expectations

In meeting each of the imperatives and associated expectations all business activities and operations must:

1. comply with and, where appropriate, exceed applicable legal, regulatory and company policy
2. reflect our Governing Principles and adhere to our code of ethics
3. protect and enhance our business reputation
4. contribute to specific objectives defined within an approved business strategy that allocates responsibility for delivery and aims to improve overall performance
5. consult with key stakeholders to understand their needs and expectations and involve them in how we deliver and develop our activities
6. be carried out by employees, partners and contractors who are informed and appropriately trained to enable them to deliver expected standards
7. be regularly and effectively reviewed through self-assessment and independent audit and assessed against agreed performance indicators and targets to demonstrate continuous improvement
8. demonstrate our commitment to sustainability by meeting the needs of the present without compromising the ability of future generations to meet their own needs
9. sustain public confidence through effective communications and consultation with key stakeholders and open and transparent reporting of our performance

Imperative A

Business strategy

We operate within and deliver a business strategy that contributes to the vision and achieves the business objectives of the Serco Group

Expectations

- A.1 The business environment and competitive landscape is understood and possible future market trends identified
- A.2 A vision and strategy that contributes to the achievement of the Group's business objectives is defined and communicated to all key stakeholders
- A.3 Clear and balanced business objectives are defined, with plans and agreed timetables for delivery
- A.4 The scope, priority and pace of strategy implementation takes account of operational complexity and risk
- A.5 Systems are in place to measure, evaluate, report on and review performance against business objectives, clearly defined targets and commitments

Imperative B

Business development

We continually develop a sustainable business that meets the growth aspirations of the Serco Group

Expectations

- B.1 Chosen markets are proactively developed
- B.2 Customer relationships are effectively managed
- B.3 Business growth opportunities are developed, reviewed, approved and contracts negotiated in accordance with defined systems and procedures
- B.4 Where joint venture or alliance arrangements are appropriate they are well defined, safeguard the interests of Serco and are with organisations that share our values, principles and objectives
- B.5 Acquisitions, divestments and investments are completed in accordance with defined systems and procedures
- B.6 Future business capability requirements are assessed and planned

Imperative C

Business operations

We deliver services and products of high quality, reliability and consistency that meet or exceed our customers' requirements and achieve customer satisfaction

Expectations

- C.1 Service/product requirements are defined and reflect customer expectations
- C.2 Quality management systems support business objectives and the delivery of continual improvement
- C.3 Levels of customer satisfaction are defined, achieved and regularly reviewed
- C.4 Sustainable business practices are applied across our operations and supply chain
- C.5 There are effective and efficient processes for internal administration
- C.6 Physical and intellectual assets are recorded, managed and tracked
- C.7 The effectiveness of business management and internal processes are monitored and regularly reviewed against current and future requirements
- C.8 The potential for innovation and growth in service/product delivery is regularly reviewed with appropriate action taken based on the findings
- C.9 Best practice is identified, developed, communicated and used within the organisation

Imperative D

People management

We create, develop and lead highly motivated teams who have up to date competencies and skills and live Serco's values

Expectations

- D.1 In every working relationship we ensure equality of opportunity, honour the rights of the individual and foster partnership and trust
- D.2 We identify and develop our leaders to reflect current and future business requirements and ensure continuity of capability
- D.3 Our workforce reflects the diversity of the communities in which we work
- D.4 Individual and team roles, responsibilities and accountabilities are defined and regularly reviewed
- D.5 We select and recruit high quality people
- D.6 We operate within a working environment that promotes work life balance
- D.7 Individual performance is appropriately rewarded and regularly reviewed with skills and competence developed to address current and future business needs
- D.8 Disciplinary action and staff grievances are reported, recorded and responded to in accordance with defined procedures. There is a defined process for reporting and monitoring malpractice and impropriety
- D.9 Staff leaving employment with the company are treated sympathetically and in accordance with relevant employment legislation and company policy

Imperative E

Technology and information

We acquire or develop appropriate technology to support our internal processes and to deliver enhanced capability to our customers

Expectations

- E.1 Opportunities for the innovative use of technology that supports the achievement of business objectives and customer requirements are proactively developed using where appropriate selected technology partners to enhance our long-term competitive position
- E.2 Technology systems provide appropriate tools, techniques and methods to support and enhance the effectiveness of business operations
- E.3 Technology systems are consistently and effectively acquired, developed, integrated and maintained with change delivered in relation to related process and organisation
- E.4 Technical research and the development of our systems, skills and capabilities is undertaken for key opportunities to meet future business needs
- E.5 Proprietary information is protected by appropriate use of confidentiality agreements, copyright statements and patents.
- E.6 Our knowledge is documented and shared
- E.7 All communication and information systems owned or operated by the company are used in accordance with suppliers licence agreements and that information handled and processed by such systems is appropriately protected

Imperative F

Health, safety and the environment

We proactively maintain a safe, healthy and sustainable working environment for our staff, those we work for and with and the general public

Expectations

- F.1 Health and safety management systems including, where appropriate, specific individual policy statements and workplace procedures safeguard the health and safety of our employees, business partners and the general public
- F.2 Health and safety risks have been identified, are periodically reviewed and assessed, with prioritised action plans and work instructions in place for risk and impact elimination and reduction
- F.3 Significant environmental aspects and impacts from current and relevant past activities and services are identified and, where we have direct control or can be expected to have an influence, an environmental management system is implemented with the aim of proactively managing and minimising them
- F.4 The sustainable use of resources and materials and the potential harm to the environment is considered in the design and development of business opportunities
- F.5 Incidents are reported, causes identified, actions implemented to prevent the incident happening again and clearly documented
- F.6 Health surveillance programmes monitor and record employees where the health risk assessment has identified a need and to comply with legal or regulatory requirements
- F.7 Occupational Health programmes are in place to support the well-being of employees and measure and report on health in the workplace
- F.8 Where the workplace, work activities or work planning are shared with any other employer, occupier or relevant person, there is demonstrable evidence of cooperation and coordination of health and safety and environmental management

Imperative G

Community engagement

We support and make a positive impact on the communities in which we work

Expectations

- G.1 Stakeholders are actively consulted and involved in the way we engage with the communities that we work in
- G.2 The design and development of business opportunities take account of social considerations and the well-being of the community
- G.3 We share our expertise, skills and resources and create partnerships that have a positive impact on our wider community
- G.4 Employees engage as volunteers in a broad range of initiatives in the communities in which they live and work
- G.5 We evaluate, review and report on community activities against strategic community engagement objectives
- G.6 Our community investment is measured and reviewed against agreed targets to demonstrate continual improvement

Imperative H

Financial management

We maintain sound systems of financial control to safeguard shareholders' investments and our assets

Expectations

- H.1 Financial management systems, including where appropriate specific individual policy statements, processes for internal control and instructions safeguard the integrity and accuracy of the Company's finances
- H.2 Accurate and timely financial information and reporting aids management decision making and improves stakeholder understanding of our financial performance
- H.3 Financial risks are systematically identified, appraised, prioritised and recorded on a continual basis
- H.4 Statutory financial reports are prepared and submitted to the relevant authorities on time
- H.5 Appropriate insurance cover is provided for physical, personnel and information assets and statutory obligations
- H.6 An Audit committee oversees the financial aspects of governance and an ongoing programme that assures the integrity and effectiveness of internal financial controls
- H.7 Financial management systems are regularly reviewed

Imperative I

Business risk

We manage the risks associated with our activities and minimise the impact of undesired and unexpected events

Expectations

- I.1 Risks are identified, appraised for probability and impact, prioritised and recorded through a risk management system which allocates ownership and defines risk controls and mitigating actions
- I.2 The response to major incidents and accidents is organised and effective based on a defined major incident response (crisis management) plan that identifies all feasible/realistic crisis scenarios, is regularly reviewed and exercised periodically
- I.3 There are plans in place for disaster recovery and business continuity that have been exercised and are reviewed at least annually
- I.4 A secure business environment is in place that minimises economic loss and business disruption, safeguarding Serco's people, integrity and reputation
- I.5 Security management systems and procedures safeguard the security, integrity and availability of the organisation's assets, people and information (including information systems, data networks and telecommunications services)
- I.6 Incidents and accidents are reported and responded to in accordance with defined procedures

Imperative J

Business governance

We ensure governance of the business and safeguard the reputation, value and assets of the company

Expectations

- J.1 Boards are established and appropriately resourced to direct the business and carry out their defined collective and individual duties and responsibilities diligently and effectively
- J.2 Each Board acts within the powers granted to it and delegates levels of authority appropriate for the effective management of the business
- J.3 Records of Board and business activities are maintained and retained as necessary to meet company, regulatory and statutory requirements
- J.4 The effectiveness of each Board is periodically reviewed
- J.5 An audit system assures compliance with and confirms the effectiveness of management systems, internal controls and processes
- J.6 The scope, priority and frequency of audit takes account of operational complexity and risk

