

Corporate  
Responsibility  
Report  
2016

## Contents

---

### **Our Commitment**

- 3 Statement from Chair of the Serco Corporate Responsibility Committee

### **Our Values**

- 5 Our Values

### **Our Approach**

- 8 Managing Corporate Responsibility
- 10 Ensuring ethical standards
- 13 Human rights and slavery
- 16 Suppliers and partners

### **Our People**

- 18 Our people governance and strategy
- 19 Leadership and development
- 20 Engagement
- 21 Diversity and inclusion
- 23 Recognition
- 25 Community

### **Our Performance**

- 27 Ethics and People Key Performance Indicators
- 28 Health and Safety
- 32 Our environmental impact
- 35 Occupational safety and Environment Key Performance Indicators

## Our commitment



To be successful, we must operate in a responsible manner.

We deliver public services. Taxpayers expect them to be effective; governments expect them to be efficient and improved; society expects them to be delivered ethically, safely and with respect for people and the environment.

We strive to fulfil these expectations, recognising our responsibilities and seeking to earn the trust and respect of all public service stakeholders.

For a business founded and focused on the delivery of public services – contributing to the lives of thousands of citizens every year – corporate responsibility is not an initiative.

It is, and must always be, inextricably embedded in all that we do.

We believe that true success in the provision of public services around the world – for us, for our customers and for society – requires commitment to a social as well as commercial contract. Sustainable business can only be achieved by doing the very best for governments and society, not just within our contracts, but beyond them.

In 2016 we refreshed our strategy and clarified our ambition, “to be a trusted partner of governments, delivering superb public services that transform outcomes and make a positive difference for our fellow citizens.”

We were also able to define how we will fulfil our ambition – how we aim to deliver value above and beyond sector-specific differentiation. Of the Group-wide qualities identified, the following resonate particularly with our corporate responsibility agenda:

- We strive to work in trusted partnership with governments, citizens and other organisations.
- We design solutions for citizens, not governments, and focus on meaningful outcomes.

- We work hard to operate strong governance and risk management – improved corporate standards, strong Values, organisation-wide training, and disciplined processes – to drive accountability and operational excellence.
  - We uphold a public service ethos – committed to serving government and making a positive difference to the lives of those for whom we deliver services.
- Three principles frame and shape our corporate responsibility and the activities detailed in this report:
1. A public service ethos is inherent in, and essential to, our work.
    - We focus on public services alone, delivering to governments and citizens.
    - Our services affect government functions and the lives of thousands of citizens every year.
    - We strive to deliver through strong contract management and operational excellence.
    - We work hard to reduce costs for government and deliver value for taxpayers’ money.
    - We generate employment and seek to contribute to the wider economy through our partnerships with non-governmental organisations and small / medium-sized enterprises.
  2. How we deliver within our contracts is as important as what we deliver.
    - We live by our Values and train and reward our people for doing the same.
    - We have renewed our governance systems and seek continually to improve them.
    - We invest in our people and work with them to be engaged, inspired and motivated to give their best.
    - We value difference and work to create a fair and inclusive environment for all.
    - We want to become world-class for health and safety.
    - We aim for transparency in all that we undertake.
  3. Our public service ethos is not limited to the perimeter of our contracts.
    - We seek to contribute to public service outcomes in wider society.
    - We strive to create employment opportunities for the young and those from disadvantaged groups.
    - We value community investment. Every year our employees give freely of their time to raise funds for community and charitable causes.
    - We respect the environment and are working always to reduce our energy consumption and environmental impact.

## Our commitment

---

Like all areas of our business, our approach to corporate responsibility continues to evolve. As we stabilise and strengthen our foundations, so too do we set new targets. For all that we have done there remains a great deal more that we have yet to accomplish.

Working with and on behalf of our people, our customers and the tax-paying public they represent, we will continue to pursue sustainable, responsible success.

For now, we share our progress report for 2016 – our objectives for the year and how we have performed against them.

Across all areas in 2016, we have continued to build momentum in long-term objectives for sustainable improvement – consolidating progress already made, maintaining key multi-year strategies in all regions, and introducing several new areas of emphasis.

The full scope and scale of our activity at every level – from executive oversight of policy implementation to contract-level Health and Safety procedure to the charitable donations of individuals – cannot be done justice in a single report, but what follows is a summary of some of the steps we have taken.

Corporate responsibility at Serco has come a long way since our beginnings in the last century, but we are driven today by the same resolution that has shaped our history: to do the right thing. Governments, economies and markets may change, but the fundamental philosophy of service and doing right by society and the world we live and work in remains constant. Our public service ethos and the role we play is a legacy we will strive always to honour and be worthy of.

Mike Clasper CBE  
Non-Executive Director  
Chair, Corporate Responsibility Committee

## Our Values

### Trust, Care, Innovation, Pride.

First and foremost, we live by our Values.

They are at the heart of the behaviours we expect in our business. While our Code of Conduct defines 'what' we expect, our Values define the 'how.'

Our culture is based on a set of four Values - Trust, Care, Innovation and Pride - that shape our individual behaviours and hence the way the Company behaves. They help to ensure that we are all working from a commonly understood base that can be consistently applied across our organisation.

We know that our Values cannot just be words on a page, but must be lived and reflected in the behaviours of all our people.

Having a clear understanding of our Values, what they mean for our behaviour and the decisions that we make, and understanding our impact, will help us to become the business we want to be.

We have worked with our people to review our Values alongside the review of our strategy, concluding that the refresh and simplification of our Values was necessary to ensure they remain current, relevant, and easily and consistently understood.

Inherent in each of our Values is a set of behaviours that everyone must live by; behaviours we must see for the Values to flourish; behaviours we will celebrate.

#### Trust – Serco Americas

Scott Evans, Program Manager for the Louisiana Department of Transportation and Development (LDOTD) Motorist Assistance Program, has been recognised for his strong work ethic, determined transparency and exceptional competence – earning him the trust and respect of LDOTD and the Louisiana State Police. When we won the contract, our imperative was to win the customer's trust and breathe new life into existing operations.

Despite difficult transitional circumstances, Scott successfully overcame the challenges and transformed the program through his integrity, commitment and sacrifice in order to completely rebuild operations, retrain and re-engage the workforce and renew the relationship with the customer.

#### Trust

We work hard to earn trust and respect.

We deliver on our promises; are open, straightforward and honest; do the right thing; and take personal responsibility for getting things done.

Building Trust will sustain the business we have and build the business we want in the future.

### Viewpoint 2016

79% of employees understand our Values

(77% in 2015)

## Our Values

### Care – Serco Middle East

The members of the Serco Corporate Social Responsibility (CSR) Committee at Zayed University in Dubai, UAE, have been recognised for their commitment to their cause, working above and beyond the scope of their day-to-day roles and investing a lot of personal time in order to drive a number of initiatives to raise money and materials for their chosen causes.

These include:

Earth Hour; the Toilet Twinning initiative; Operation Smile UAE; the Abu Dhabi Future Centre for Special Needs; providing summer hydration supplies for Serco contractors working outside and Iftar meals for Serco contractors observing Ramadan; and the Abu Dhabi Blood Bank.

### Care

We care deeply about the services we provide and the communities we serve, and we look after each other.

We work together to deliver high-quality public services, often of great importance to the nation and the communities we serve.

We take care of each other, and those we serve, and we aim to make a positive difference to people's lives.

Demonstrating Care will make a positive difference to people's lives and ensure we look after each other.

### Innovation – Serco UK

Keith Mason, a Gym and Health Improvement Manager at HMP Kilmarnock in Scotland, UK, has been recognised for introducing new and innovative programmes that have transformed a typical prison gym into a centre of excellence.

A wide range of health improvement and leisure options are now on offer for prisoners who would not normally engage in physical activity. Cutting edge (health) behaviour change programmes, research work with academic organisations and family involvement activities – all focused on the prisoner, their family and prospects for progression.

Organisations in France and Australia have expressed interest in sharing best practice and partnership working, while prisons in the entire Scottish estate now look to include the health behaviour change programme within their regimes.

### Innovation

We aspire to be better than anyone else at what we do.

We continuously improve our ways of working, and try new ideas, big and small.

We share our knowledge and experience and embrace change, knowing that if we don't provide innovation and value for money to our customers, our competitors will.

Driving Innovation will differentiate us from our competitors and add value to our customers.

### Pride – Serco Asia Pacific

Sharon Gregory, a Family Liaison Officer at the Wandoo Reintegration Facility in Murdoch, Western Australia, has been recognised for her drive to empower Aboriginal residents (young men aged 18 – 28) by connecting them with their cultural heritage through the indigenous language of the region and enabling them to realise social and emotional wellbeing.

Inspired by her own experience, Sharon has dedicated her working life to keeping the language alive, teaching in schools, recording voiceovers, translating books and teaching other community members as well as those for whom she has striven to make Wandoo culturally safe and secure.

### Pride

We want to be proud of what we do.

We know that the work we do is important, and we take pride in doing it well.

We value energy and enthusiasm, skill and experience, and an ability to make hard work fun.

We contribute both as individuals and as part of a team.

Being Proud of what we do acknowledges that we are doing things well and making a real difference.

## Our Values

### Global deployment and adoption

The Values were launched globally at the start of 2016 and subsequently rolled out across the business in all regions, supported by a comprehensive suite of communication and education tools to enable consistent engagement.

Simultaneously, the Values and all that they represent were incorporated into the Serco Management System (SMS) and Code of Conduct, our core processes and systems, and all existing channels, publications and resources. This includes our annual employee engagement survey, which has been updated with the Values, enabling us to measure how successfully they have been embedded. They have also become part of our annual 'Pulse' awards (see **Recognition**, page 23.)

A lot of the work to embed the Values was undertaken in the Divisions, who propelled them into the business consciousness through campaigns designed not only to integrate them into existing ways of working, but to inspire our employees to take them to heart.

For example:

In Serco Asia Pacific, the Divisional Chief Executive, Mark Irwin, visited many contracts to present the Values in person and engage with local staff. A number of initiatives and resources were developed to support the Values rollout: a range of digital content was produced and circulated, exploring what the Values mean, using personal stories and examples to illustrate our Values in action; senior leaders received support and tailored materials to enable them to more effectively engage, inspire and connect with employees about the Values, and new materials are provided on a rolling basis to maintain momentum; a competition celebrating our Value, Innovation, has been launched to encourage and identify new ideas across the business; regular communications about the Values were also shared, including several from the CEO and executive team.

Communications were linked to tangible initiatives that helped to bring each Value to life in a meaningful way. For example, the launch of a new Domestic Violence Leave Policy accompanied a communication regarding 'Care.'

In the UK, the roll out of the Values was led by the members of a new Values & Integrity (V&I) Network (see **Values & Integrity Network – Serco UK**, page 14.)

V&I Ambassadors and Leads in every business unit and contract oversaw the introduction of the new Values through existing processes, meetings, events and communications channels, weaving them into the local fabric of the business.

In the Middle East, the Divisional Executive Management Team sponsored the rollout with a network of Values Ambassadors. Briefings and discussion about the Values were incorporated into the schedule of Leadership tours, Management meetings and Leadership offsite events. An Instagram competition was launched by the Divisional Chief Executive, David Greer, with a prize for the most innovative reflection of the Values. Values photo booths were also used during various events.

In Serco Americas, employees were engaged in a friendly competition to increase awareness of the new Values and highlight efforts that exhibit our Values across the region. To accept the 'Values Challenge,' sponsored by Divisional Chief Executive, Dan Allen, employees had to organise a team and perform a challenge for each of the Values. The three award categories were 'Most creative challenge tasks', 'Greatest Impact' and 'First to complete all challenges.'

Over 2,000 employees completed 227 challenges. There were eighteen winning teams. All team members that completed a challenge for each of the four Values received a reward and party was held for the winning teams, where each member received a Values plaque from a member of the senior leadership team.

The team standings were highlighted in the Divisional newsletter, while winning teams were also featured on the Company intranet and our internal social media platform.

Among the winning teams were 'the Dream Team.' To demonstrate their caring spirit, the Dream Team showed compassion and respect by brightening the lives of some of their home town's oldest citizens. The team coordinated with the McMahon-Tomlinson Nursing Centre to visit some of the residents and deliver cards and flowers. The Dream Team handmade a positive, uplifting card for each of the 125 residents. They also handmade silk flowers to decorate the centre's dining area for lunch. Several residents and Centre employees thanked the team for their caring, thoughtful work and invited them back for future visits.

## Our approach

To us, being a responsible business means ensuring that we:

- comply with the law as well as meet the standards we have set for ourselves;
- deliver on our commitments and are open and transparent;
- engage and motivate our people, act safely and with respect for the environment and the communities we work in;
- understand and minimise business risk and achieve appropriate financial returns;
- act swiftly to rectify error, learn from our mistakes and strive for improvement.

By being responsible, we will support the communities we serve, earn trust and respect, strengthen our reputation and brand, enhance our financial performance and create sustainable value for our shareholders.

### Managing Corporate Responsibility

The Serco plc Board has ultimate responsibility for the Group's business strategy, of which Corporate Responsibility (CR) is recognised as an essential element.

The Board is also responsible for health, safety and the environment, and for agreeing the Group's culture, Values and ethical direction

Mike Clasper, Non-Executive Director of the plc Board, is Board sponsor for CR and chairs the Serco Corporate Responsibility Committee (CRC).

The committee is responsible for overseeing the Company's approach to all aspects of Corporate Responsibility including:

- its ethics and business conduct;
- the structure of governance;
- its approach to its people;
- its approach to health, safety and the environment;
- its contribution to the communities in which its people live and work; and
- its approach to managing its relationships with customers, suppliers and other parties as well as monitoring ongoing related corporate renewal activities.

The CRC met four times in 2016, receiving formal progress reports on the elements that comprise our CR framework. The Chair reports CRC activity to the Board, raising specific issues for Board consideration and action.

Ed Casey, Group Chief Operating Officer, is a member of the CRC, and is responsible for promoting the Group's approach to CR and its effective implementation across the Group. This is agreed with the Executive Committee, which oversees its implementation.

Each CR element has a designated Group Lead, responsible for engaging with Divisional Chief Executives to develop strategy, objectives and performance indicators, and monitor and report on performance to the Executive Committee and CRC.

Under the direction of the Divisional Chief Executive, each Divisional Executive Management Team (EMT) then incorporates appropriate elements within their plans relevant to their business operations and strategy. Delivery of these, and performance against agreed indicators, are reported to the Division's EMT and provided to the designated Group Lead for review, consolidation and Group reporting.

You can find out more about our CRC terms of reference on our website:

[www.serco.com/about/the-board-and-governance](http://www.serco.com/about/the-board-and-governance)

### Serco Management System

The Serco Management System (SMS) is the Group's management framework, describing how we do business. It defines the rules which govern the way we operate, deliver our strategy and the way we behave to live our Values.

At the heart of the SMS are thirteen Group policy areas (made up of fifteen policy statements) and twenty-four Group standards. These define the minimum standards we must achieve. They focus on the mandatory elements that must be applied across the Group. They reflect our Values and provide direction on relevant laws and regulatory requirements in the countries where we operate, and are sensitive to local customs, traditions and cultures.

Group policies are owned by Group Functional Directors, signed by the Group Chief Executive and approved by the plc Board. They define our commitments and apply across the Group.

Building on these foundations are Divisional and local management procedures which are all aligned with the SMS.

## Our approach

Group Policy Statements	Supporting Group Standards
Business Conduct and Ethics	Acceptable Use Business Conduct and Ethics Human Rights Speaking Up Reputation Brand and Communications
Business Continuity and Crisis Management	Business Continuity and Crisis Management
Business Development	Bidding Transition
Finance	Finance
Governance	Consequence Management Compliance Internal Audit Internal Boards and Committees Insider Information and Share Dealing
Health, Safety and Environment	Health, Safety and Environment
Aviation Safety	
Information Integrity	Information Integrity and Data Management
Information Technology	Information Technology
Operations	Operations
Quality	
People	Employee Lifecycle Employee Wellbeing Travel and Expenses
Procurement and Supply Chain	Procurement and Supply Chain
Risk Management	Risk Management
Security	Security

All elements of the SMS are subject to a schedule of regular review, ensuring that all policy, standards and standard operating procedures are kept up-to-date, relevant, appropriate and able to meet our needs.

Employee and manager responsibilities regarding compliance with the SMS are clearly defined and all employees complete appropriate SMS training when they join Serco.

Failure to comply with the SMS can have significant consequences for individuals, managers or the Company as a whole. Our Group Consequence Management Standard defines how instances of non-compliance with legislation and regulations, our Code of Conduct or the SMS will be dealt with.

Each year we follow our annual processes of continuous review for all components of the SMS, according to our review schedule. In 2017 we will look at how we can make the content of the SMS more engaging for business and functional managers.

You can find out more about the SMS on our website:

[www.serco.com/about/sms](http://www.serco.com/about/sms)

### Three lines of defence

The SMS standards specify our internal controls with clear definition of those responsible for ensuring compliance.

To provide assurance that these controls are implemented and effective, we have established three lines of defence, i.e. the business, management assurance and audit.

At the business level, an SMS self-assessment tool is provided to enable managers to assess their compliance with the SMS controls, and plan actions to close gaps.

A programme of Division-led management assurance then provides comfort that risks are being effectively managed and operations comply with the SMS. Contract reviews against the SMS are carried out on a periodic basis at contract, business unit and Divisional levels.

Internal Audit is the third line of defence and provides an independent review (sometimes carried out by independent external parties) of the design and operating effectiveness of controls in place to manage key risks.

Each level of assurance represents one tier in an annual cycle of review enabling the identification of compliance risks and opportunities for improvement, and the development of local, regional and Group programmes of action to respond appropriately.

### Our Code of Conduct

In order to be a trusted partner of governments, to deliver superb public services and to make a positive difference for our fellow citizens, we must continuously and consistently do the right thing. Our Code of Conduct is our means of driving continuous and consistent responsibility across our organisation.

Our Code sets out in a concise way the rules, standards and behaviours that are expected from all employees. It covers:

#### Our Values

##### Our Business

- Fair markets
- Working with partners and competitors
- Working with others
- Bribery and corruption
- Hiring government and competitor employees
- Political activity
- Gifts and hospitality
- Fraud
- Insider trading
- Conflicts of interest
- Working with communities
- Respecting the environment

#### Our People

- Human Rights
- Fair treatment
- Bullying, harassment and violence
- A safe workplace
- Substance abuse

#### Our Information

- External communications
- Social media
- Using our systems
- Securing information
- Confidential information

#### Speak Up

## Our approach

Our Code defines what we expect in the way of behaviours and practices, and compliance with policies, standards and the law, of everyone who works for and on behalf of Serco, irrespective of their role and location. Together with our Values and our policies and standards, it is an integral component in the SMS.

All Serco employees are expected to know, use and live our Code.

To support them, we:

- provide a working environment where our Code and our Values are actively supported;
- make sure everyone who works for or with us understands our Code and knows how to apply it;
- do our best to make sure everyone complies with our Code;
- encourage everyone to seek help and advice if they are unsure about what to do, or concerned that our Code is being violated;
- provide confidential resources for everyone to get advice or report Code violations;
- support and protect anyone who reports a violation or helps an investigation, and make certain there is no retaliation of any kind against them;
- deal effectively with any concerns about conduct;
- only work with partners, third parties and customers who share our ethical standards; and
- put improvements into place quickly after we have identified them, and remedy any wrongdoing we have identified as soon as possible.

In 2017 we will look to upgrade our Code of Conduct website and incorporate into the Code the work on defining behaviours in the refreshed Values roll out.

You can find out more about our Code of Conduct on our website:

[www.serco.com/about/serco-code-of-conduct](http://www.serco.com/about/serco-code-of-conduct)

### 30 Days of Business Ethics – Serco UK

We took part in the UK Institute of Business Ethics' (IBE) 30<sup>th</sup> anniversary 'Ethics Month' in November, adopting Day 17 with a focus on our Value, 'Care.'

In addition to our contribution to the IBE site, we ran a campaign on our internal social media platform to showcase how our people care as they deliver important services every day. People from all over Serco UK joined in, including Divisional Chief Executives, Liz Benison and Kevin Craven, as well as colleagues in Serco Asia Pacific.

Posts about our people rehabilitating prisoners, preparing athletes for the Olympic Games, inspiring businesses to use digital technology, delivering world-class training and saving people's lives were among the highlights of the day.

Full details are available at [www.ibe.org.uk/30daysofethics](http://www.ibe.org.uk/30daysofethics)

### Ensuring ethical standards

Ethical issues remain a business risk in many countries and within regions and certain industry sectors where we operate or may wish to operate in the future.

We have continued to develop ethical governance through our Divisional Ethics Leads, who report to the relevant Divisional EMTs. They are responsible for the development and implementation of each Division's ethics and compliance programme, managing our Speak Up (whistleblowing) process and investigating and resolving issues raised. They also form the core of our Ethics Oversight Committee, which meets quarterly to review initiatives, issues and share best practice.

Regionally, we have sought to improve our business ethics governance, taking into account varying regional criteria, including risk, operating structure, markets and customers.

For example, in Serco Americas our ethics and compliance agenda is now governed and championed by Board and Executive Ethics Committees, a Code Compliance Board and an Ethics Leadership Group, while the UK Divisions have founded a Values and Integrity (V&I) Network with V&I Ambassadors and Leads in each business unit and contract (see **Values & Integrity Network – Serco UK**, page 14.)

We are an active member of a number of sector and business-led forums, including:

- The Institute of Business Ethics (IBE, UK)
- The International Forum on Business Ethical Conduct (IFBEC)
- The Aerospace Defence Security & Space Business Ethics & Responsible Conduct Group (ADS, UK)
- The Defense Industry Initiative on Business Ethics & Conduct (DII, US)
- The Capital Area Business Ethics Network (CABEN, US)

### Ethics tools and training

To enable compliance with our Code of Conduct, policies and standards, and to help ensure behaviours meet our expectations, we equip our people with tools and training.

Our 'Serco Essentials' training modules (mandated for all staff) and 'Serco Essentials plus' (mandated for all managers and leaders) enable us to help our people, irrespective of grade, role and location, acquire and maintain the right level of knowledge and understanding of our organisation, their role and responsibilities, and what we expect and require of them.

This includes how we expect them to deliver high standards of safety, security, ethics and compliance with legislation.

## Our approach

Our 'Essentials plus' modules include:

- Anti-Bribery & Corruption (ABC)
- Competition & Anti-Trust Law
- Export Control & Trade Sanctions
- Anti-Money Laundering
- Understanding the SMS
- Health, Safety & Environment for Managers

Every employee must undertake Serco Essentials training when joining Serco, and complete a training refresh annually. Managers are also required to complete 'Essentials plus' training.

Our courses, 'Values-based Leadership and Decision-Making in a Changing World' and 'Business Ethics in a Challenging World', help our managers and leaders to understand their role in creating a culture of Values-based behaviour, making ethical decisions and the impact on their teams.

We have continued our work to more effectively and efficiently integrate our training into our operations, including the provision of training tailored for specific parts of our business. For example, in Serco Middle East, a training plan was developed for 2016 to ensure specific SMS-related needs of each business unit (see page 12, **Anti-Bribery & Corruption**), while training on human trafficking was delivered for our UK immigration and asylum contracts (see page 14, **Slavery and human trafficking**.)

The Serco business is complex and our governance framework continuously evolves to ensure that business decisions and activities and any associated risks are carefully controlled and monitored. But when all is said and done, our decision to do the right thing belongs to each and every one of our employees.

We trust our people to make the right decisions, every day, but doing the right thing and following the right process is not always straightforward.

To help them determine the correct course of action in any given situation and see it through, we are developing new tools to enhance our existing systems and processes and more effectively equip our people.

Our suite of ethics tools currently includes:

- SayNo Toolkit – see page 12.
- Gifts and Hospitality Register – see below.
- Speak Up – see page 12.
- Anti-Bribery and Corruption (ABC) Toolkit – see page 12.

However, the provision of tools and training alone is insufficient. We recognise that we must continually engage with our people to encourage them to trust, use and abide by our systems and processes.

## Viewpoint 2016

Our Ethics & Integrity Index: \*  
70%  
(69% in 2015)

72% of employees believe that their line manager does not tolerate behaviours that fall below our expected standards (71% in 2015)

\* An index comprises one or more related questions that cover a specific area of analysis. A score is generated based upon the % of employees who mostly agreed or strongly agreed to all questions within the index.

For example:

In Serco Americas, we raised the engagement of our employees, and strengthened our reputation with our clients, by doing more to increase the transparency of our Divisional ethics programme. This included participation in public panel discussions of the Defense Industry Initiative for Business Ethics and Conduct (DII), and internal disclosure of how we investigate and resolve ethics cases.

We also share key ethics and compliance performance data in the Divisional e-newsletter. Keeping our employees fully informed means they are more prepared, less intimidated and more likely to take appropriate action when needs arise.

An ethics awareness campaign was delivered across Serco Asia Pacific, promoting all ethics resources in support of an ongoing strategic objective to embed business conduct and ethics communications and deliver them regularly across the region.

Mark Irwin, Divisional Chief Executive, set the tone from the top on the importance of ethics and the tools available to support our people. The leadership team then shared key messages with their business units and contracts.

Our Asia Pacific Ethics Lead is maintaining momentum through senior management training and ongoing support.

### Ethics Tools Spotlight: Gift and Hospitality Register

We are a large organisation working across multiple jurisdictions where different gift-giving and hospitality customs exist and different practices and requirements apply.

We recognise that reasonable and proportionate gifts and hospitality can foster good business relationships as long as the action is not for the purpose of inappropriately influencing the recipient. We also realise, however, that the extent of the cost and frequency, as well as the lavishness of a gift or hospitality can contribute to the determination or perception that they were intended or might be construed as a bribe.

To monitor this we require that gifts and hospitality offered, given and received by our employees are registered, even if they are declined.

The register is a simple, online portal, accessible anywhere with an internet connection, that all employees can use to register the gifts and hospitality that we offer and the gifts and hospitality that we are offered. A record of all activity by every user of the register is created, making it easy for individuals to keep track of their gifts and hospitality history, and for us to monitor activity and manage the risk.

## Our approach

### Ethics Tools Spotlight: SayNo Toolkit

Since the UK Bribery Act came into force we have been working on improving our Adequate Procedures which provide an appropriate defence should an issue of bribery or corrupt business practice arise. This has included policies, briefings and training. However, we recognised that we lacked sensible, pragmatic guidance on what to do in different situations.

To address this we have worked with the Institute of Business Ethics to develop a tool - The SayNo Toolkit. This toolkit has been designed as an app that can be downloaded onto most portable devices and does not require an internet connection, making it accessible in almost any situation.

Quick, simple and easy to use, it provides immediate assistance – specific and detailed guidance and support regarding what to do when facing a situation that may not have a clear answer and if managed incorrectly could lead to accusations of bribery. It also advises how to avoid difficult situations and how, when and what to report. It covers a wide range of common business scenarios from responding to a demand for a facilitation payment to offering a business partner a gift.

The SayNo toolkit also contains our Decision-Making Guide, a simple tool designed to help employees navigate difficult decisions and arrive at appropriate, ethical outcomes.

In 2017 we will review all ethics training courses. We will also be considering additional topics regarding Human Rights and Slavery, as well as looking at how to incorporate ethical decision-making into other management training. We will expand our suite of ethics tools with development of an online conflicts of interest register.

### Anti-bribery and corruption

No matter what 'local custom' may be, all forms of bribery and corruption, and even the smallest facilitation payment, are forbidden. We know that corruption is corrosive, even on the smallest scale, and just the suspicion of it can severely damage our reputation.

In recent years, many countries where we operate have introduced or strengthened extra-territorial anti-bribery and corruption (ABC) legislation, such as the UK Bribery Act (UKBA) and the US Department of Justice Deferred Prosecution Agreements/US Foreign and Corrupt Practices Act.

Our policy is one of zero tolerance. We will not participate in any form of corrupt behaviour, either directly or indirectly, anywhere in the world.

Under no circumstances will we approve any irregular payment or payment in kind to win business, encourage others to act improperly or

influence a decision in our favour. We will not make facilitation payments and we do not allow others who work for us or represent us to make them.

We insist that our policy on corruption, bribery and facilitation payments is followed by our business partners, including joint ventures, agents, contractors and suppliers.

In 2016, our focus has been on the strengthening of our ABC governance, controls and business compliance, working to ensure that the procedures already in place are adequate and seeking to improve and enhance them.

For example:

In the UK, we have developed an ABC toolkit to further mitigate the risk of bribery taking place within the business.

The toolkit, for annual completion by every contract, enables contract management teams to evaluate current practice against the six principles for bribery-prevention issued by the UK Ministry of Justice, benchmark against best practice and assess risk. Completion of the toolkit generates a gap analysis and remedial action plan.

UK business leadership have received training on the toolkit, which is now live and ready for full implementation in 2017.

In Serco Middle East, ABC obligations were incorporated into the Divisional business lifecycle governance. We have reviewed our partners and agents for ABC risks. New processes have been developed and deployed to further strengthen ABC requirements for procurement, vendor assessment and monitoring, and sole source contracting.

Renewal training on Divisional ABC procedures and requirements was delivered to all business leaders and high-risk roles, focusing on regionally-specific risks and using case studies from actual events to ensure more effective learning and stronger mitigation.

In 2017 we will continue to drive awareness whilst looking to introduce the new UK tool into our other regions and upgrading our Gifts & Hospitality Register.

### Speak Up

We take malpractice and impropriety extremely seriously. We maintain processes that seek to deal with legitimate concerns and/or complaints in a responsible and effective manner. Those concerns may be in the public interest or relate to internal poor practice.

Where our people believe they have information which demonstrates malpractice, wrongdoing or violations of our Code of Conduct or Values, they are required to raise the issue and bring it to management attention. This can be done without fear of reprisal.

Our 'Speak Up' service is available to all Serco employees, supported by an online whistleblowing case management system provided by an independent third party.

Awareness of Speak Up has remained healthy, with opportunities for improvement identified. The results of our employee engagement survey show that 64% of our employees feel confident that appropriate action will be taken if they raise an issue or report unethical conduct (62% in 2015.)

## Our approach

There was a 1% decrease against the question, 'I can report unethical conduct without fear,' but at 70% the score remains encouraging and within close range of the Aon global weighted average benchmark (72%). Similarly, while there was a 2% decrease against the question, 'I never feel under pressure to compromise our ethical standards to get the job done', overall the score remains positive at 71%.

These marginal declines have been driven within two Divisions, where plans are in place to improve awareness of the robustness of the system and the process for investigating issues raised.

Potential loss of confidence in the Speak Up process is a risk. The improvement of employee awareness and perceptions of the Speak Up process has been an objective across all Divisions, in particular ensuring that that all employees are aware of their right to raise concerns without retaliation.

For example:

In the UK, our Group Internal Audit Function conducted an independent review to assess how effectively the Speak Up process has been embedded in the business. The audit raised no high-priority findings but suggested a number of areas for improvement.

### Viewpoint 2016

64% of employees are confident that action will be taken if they raise an issue or report unethical conduct (62% in 2015)

70% of employees feel that they can report unethical conduct without fear (71% in 2015)

71% of employees never feel under pressure to compromise our ethical standards to get the job done (73% in 2015)

Following management action, improvements have already been made, including driving down time taken to investigate and resolve cases – a significant factor in levels of employee confidence.

A new operating procedure has been implemented that improves clarity regarding the appropriate escalation of concerns and enhanced escalation training was delivered to case advisors.

In Serco Middle East, a communication programme was developed to promote Speak Up and ensure understanding of the process by all employees – how it works and how to use it – in particular making sure that all employees are aware that they need not fear the consequences.

Of the Speak Up cases closed in 2016, 97% were investigated (representing 100% of all cases appropriately and sufficiently informed to enable investigation.)

53% of cases resulted in some corrective action being taken, typically relating to process improvements, 16% resulted in disciplinary action being taken against some / all of those involved, and a further 6% resulted in one or more employees being dismissed.

64% of the cases were closed within three months of the issue being raised.

In 2017 we will upgrade our case management system whilst driving a consistent standard to investigation and looking at how we can more effectively share case examples to further improve employee trust in the process.

### Human rights and slavery

We seek to respect and uphold the human rights of individuals in all aspects of our operations wherever we operate. Our Human Rights Group Standard demonstrates this commitment and the significance of human rights for a diverse global organisation. It also sets out expectations for individual and corporate behaviour across our business in regards to human rights.

We understand the complexities of some of the markets in which we operate, such as Justice and Immigration, where conflicts can exist between national laws, international laws, international standards and the standards we have set as a company. Our Human Rights Group Standard provides direction in determining our position regarding such issues.

We endeavour to apply the same standards of respect for human rights in each of the varied markets and geographies where we operate. We comply with the applicable laws that apply in the relevant geographies in which we operate that protect human rights. We will not take part in or benefit from any activity that breaks any law relating to human rights.

We use International Human Rights Standards such as the United Nations Guiding Principles on Business and Human Rights (2011) (UN Guiding Principles) as frameworks to assist our decision-making and constructive engagement; to identify, assess and manage adverse human rights impacts; and to integrate and act on findings, track responses, monitor effectiveness and communicate how impacts are addressed.

We recognise our responsibility to understand the human rights risks – including those relating to slavery and human trafficking – and any potential impacts associated with the services we provide, the customers we work with, the suppliers we use, and through the fair and appropriate treatment of our employees and those who are in the facilities we manage or benefit from the services we provide.

We believe that we can contribute positively to the realisation of human rights through the range of services we offer. However, we recognise our limitations and ability to influence change regarding government policy and other matters outside our control.

We are committed to encouraging a workplace culture that respects human rights through proactive engagement, monitoring and contractual provisions with our business partners and related third parties.

## Our approach

### Values & Integrity Network – Sercio UK

We have introduced a peer network to help embed our Values and integrity principles – including our human rights commitment – within our UK and European operations, and to disseminate good operational practice throughout the contracts and business functions.

Implementing our human rights policy commitments throughout a company with such a broad footprint presents a challenge of coordination across different operations. To address this challenge, we have launched a ‘Values & Integrity’ (V&I) leadership network, to support embedding our Values and to promote our commitments to human rights, anti-bribery, avoidance of conflicts of interest and fair and competitive business practices. This has been implemented by a network of staff-leaders at management and operational levels who will raise awareness about company policy, share good practice, set out conduct expectations for staff and business partners and provide the support and tools for contracts to prioritise and develop their own initiatives.

Senior management support was obtained early in the programme’s development and a steering committee set up with representation from leaders across our business units. To ensure the system was adaptable to the Group’s different business contexts, avoiding a one-size-fits-all approach, the steering committee members developed a model for the programme that would work best within each of their respective areas.

For example, within the Justice and Immigration business unit, there will be a V&I lead for each contract. For our custodial and immigration operations, this means that a member of staff from each prison or detention facility is trained in managing and supporting good human rights practice and assumes responsibility for upholding aspects of the Company’s Values and integrity policies at the operational level alongside contract managers. This may include communicating and raising awareness of policy, carrying out Values and integrity risk assessments, and training staff.

V&I leads will also identify and train Values Champions among their operational staff, specifically junior managers, who share best practice internally and with peers in other sectors. Communication among Champions working on different projects is expected to provide a greater knowledge base of good practice and lessons learned.

### Human rights and business opportunities

We consider risks to people as risks to our business. This enables us to more effectively understand our responsibilities, and respond appropriately to new business opportunities and situations where rights are impacted.

We use a human rights assessment and decision tree process as a tool for evaluating any adverse human rights impacts caused or contributed to by our operations, and any impacts directly linked to our operations through our business partners and related third parties. Human rights impacts are assessed for existing business operations and markets; along with appropriate due diligence, for new markets, geographies, acquisitions, bids and rebid opportunities; and for business partners and related third parties when acting in connection with our operations. We seek to monitor and manage risks throughout the lifecycle,

including potential human rights, slavery and human trafficking impacts.

If a human rights issue is uncovered, the issue is reviewed by the relevant Divisional EMT for appropriate action. If the issue is significant and has an implication across the Group, or represents a significant reputational risk to the Group, or clarification is needed on the Company’s position, the issue may be raised to the Executive Committee for final decision.

The Investment Committee – reviewing, monitoring and approving bids, mergers, acquisitions and disposals and other corporate activity on behalf of the Board – provides governance for large or high-risk bids, rebids, acquisitions, disposals and strategic investments that are outside the delegated approval authority of the Divisions. Included within this is determining our position in relation to new geographic markets, opportunities or activities. Where those activities have been identified as presenting an ethical dilemma which represents a significant reputational risk across the

Group, such activities will be considered by the CRC on behalf of the Board and any material outcome reported or raised to the Board.

In 2017 we will maintain the effectiveness of our revised human rights decision tree and look to further refine the process whilst seeking to further embed human rights in business risk assessment process.

### Slavery and human trafficking

Recognising our responsibility under law, and that our risk profile varies per region, defined by our markets and geographies, we have completed a company-wide ethics, compliance and human rights risk assessment, including the risk of slavery and human trafficking taking place in our business and in our direct supply chain.

Our current assessment is of a low risk of slavery and human trafficking taking place in our direct business operations.

One area we have focused on is the use of out-of-country employment agencies, particularly those based in high-risk countries.

For example, in the Middle East we use a number of out-of-country recruitment agencies. These have been subject to due diligence; are not allowed to charge candidates, which is embedded in the contracts they sign; and are paid a fair rate for the service they provide. These controls are supplemented with a candidate satisfaction survey undertaken by a randomly selected group of new employees to ensure there are no issues which might lead to any form of slavery, bonded or forced labour.

Both our employee and supplier Codes of Conduct explain our policy and commitments and how to raise issues through our Speak Up process, including concerns regarding slavery and human trafficking. The management and investigation of concerns raised is governed by procedures embedded in the SMS. The Executive Committee and CRC receive reports on Speak Up activity, investigations and actions taken.

## Our approach

During 2016 there were no issues relating to slavery and human trafficking raised.

In 2016, we reviewed how we engage with our suppliers and joint venture and strategic partners on these issues. See **Third party due diligence**, below.

In the UK, consultation with the Equality and Human Rights Commission ([www.equalityhumanrights.com](http://www.equalityhumanrights.com)) on sector-specific human rights issues within the custodial sector enabled improved understanding of the challenges in the sector, helping to inform production of guidance for all businesses on how to assess and address human rights risks using the UN Guiding Principles.

We also reviewed training in regards to the protection of human rights, and prevention of slavery and human trafficking in particular.

Through Serco Essentials training, all employees are made aware of our commitment as part of their induction, which is refreshed annually. In recognised high-risk areas, specific training on slavery and human trafficking is undertaken.

For example, we recognise the potential risk that those who are in the facilities we manage, or benefit from the services we provide, may have been subject to slavery or human trafficking, particularly in regard to immigration operations. Training has been delivered to our UK Immigration and Compass contracts (asylum applicant accommodation and transport services) regarding the recognition and identification of potential signs of trafficking. In 2017, this will be reviewed and the potential to extend it to operations in Serco Asia Pacific considered.

In Serco Asia Pacific, approximately forty compliance reviews with varying scopes were completed in 2016. No issues relating to human rights, slavery or forced labour were found. A plan to maintain compliance is in development, to take effect from 2017.

In Serco Americas, a programme of activity to address the findings of the US Trafficking in Persons Report was aligned with the UK Modern Slavery Act in the development of procedures and training focused on the prevention of human trafficking, which will be implemented across the Division.

Serco Middle East have introduced a questionnaire that all new material and / or high-risk suppliers are required to complete including declarations around compliance with relevant labour laws and ethical practices around hours of work, pay, penalties, health and safety, passport management, employee loans, accommodation and transport standards. In addition, our supplier Code of Conduct is issued to all new suppliers with requirement to confirm receipt, understanding and compliance.

We recognise that improved awareness helps to reduce the risk of modern slavery. In 2017, we will review how slavery and human trafficking risks and awareness might be better incorporated within training generally, and to specific groups of employees.

We use a number of indicators to monitor how we manage and communicate policy and potential impacts as well as specific concerns regarding modern slavery.

Indicators used include the proportion of suppliers evaluated through its due diligence process; numbers of employees trained on the Code of Conduct; and numbers of issues raised through the Speak Up process. These are covered in the quarterly reporting process to the Executive Committee and also the CRC.

These key performance indicators will be subject to ongoing review by the CRC on behalf of the plc Board, to ensure their continued effectiveness.

In 2017 we will build on our existing slavery and human trafficking training and look to share best practice whilst putting more effective guidance in place regarding risk assessment for slavery and human trafficking.

### Third party due diligence

It is no longer sufficient to just ensure a commitment to ethics and compliance within Serco. The new global expectation is that we extend this commitment to those we are working with beyond our own operations.

This includes, but is not limited to, customers, suppliers, agents and other third parties.

Our Business Conduct and Ethics Group Standard sets the global requirement for due diligence in the engagement of third parties.

It details the process and the procedures that must be followed to ensure that the values and practices of anyone working with us are aligned to our own, and to proactively identify any risks that may be inherent in a potential partnership or agreement before proceeding into any arrangement, and seeking to mitigate those risks. This screening looks at sanctions; restricted jurisdictions and parties; politically exposed persons; corrupt business practices, including bribery, money laundering and other criminal record checks; human rights, including slavery and exploitation, violations and adverse media.

### Switching suppliers for a more positive social impact – Serco UK

We have recently switched office stationery supplier in the UK to WildHearts Office, a social enterprise that invests 100% of their profits into good causes. By switching to WildHearts, we are establishing a new opportunity for Serco to help improve the lives of people across the globe. WildHearts Office enables their customers – including global brands such as Deloitte and Johnson & Johnson – to make a positive social impact, both at home and abroad, simply through purchasing their business supplies. Over the past five years, WildHearts has invested £3m into the WildHearts Foundation, which has transformed the lives of more than 110,000 people through entrepreneurship education and employability training.

## Our approach

For suppliers where a potential issue has been raised or they operate in high-risk areas, we assess the issues and where appropriate undertake enhanced due diligence.

Once we have made an agreement, we seek to monitor for misconduct so that we can be ready to remediate any incidents relating to ethical issues that may occur. We seek to repeat the due diligence process on an ongoing basis during each business relationship so that changes and new information can be properly assessed.

In 2016, we sought to enhance our due diligence process, which includes monitoring for human rights, slavery, human trafficking and exploitation violations or any adverse media in these areas.

A review of our Group Standard Operating Procedure (GSOP) for Third Party Legal and Ethical Compliance Due Diligence was undertaken by external counsel, to identify and incorporate improvements to ensure the adequacy of controls. In support of this, ethical screening was conducted on a sample of third parties taken from Serco UK and Middle East suppliers.

The updated GSOP was published in December with training of procurement and business development teams and the initial screening of legacy third parties.

In 2017, we will look to further strengthen our supplier due diligence process in specific risk areas, to seek greater assurance from those selected suppliers of their commitment to ensuring that slavery and human trafficking is not within their supply chain.

We will also introduce updated procedure for taking on new suppliers, enabled by an online compliance portal tool integrated with our supplier management workflows.

### Suppliers

Our approach to procurement has four main strands: to make the most of the benefits of competitive supplier selection; to optimise the efficiency and effectiveness of our processes and resources; to drive sustainability throughout our supply chain; and to develop positive relationships with our suppliers.

Our approach takes regulatory, statutory, ethical and sustainable factors into consideration when making decisions on the purchase of goods and the commissioning of services. We aim to be professional in all our dealings with suppliers and those we work with.

We have a Procurement and Supply Chain Function to deliver consistent procurement processes in the selection and management of suppliers; to manage the risk through appropriate procurement strategies and supplier selection criteria, ensuring that sourcing initiatives are fair and ethical to both Serco and participating suppliers; and to ensure compliance with laws and regulations, our ethical standards, Code of Conduct and human rights throughout our supply chain.

Our supplier relationships are an important component to achieving high performance in our business. In selecting suppliers, we work hard to choose reputable business partners who are committed to ethical standards and business practices compatible with our own. We continue to enhance our systems and processes for choosing and managing suppliers.

Our approach to sustainable ethical procurement is included in our Procurement and Supply Chain Group Standard. It sets out the detailed requirements and minimum expectations of our policy of sustainable and ethical procurement. Specifically, it addresses the expectation that our staff and suppliers have a natural respect for our ethical standards in the context of their own particular culture and that relationships with our suppliers are based on the principle of fair and honest dealings at all times.

Our Supplier Code of Conduct, which supplements our employee Code, applies to all our suppliers, including their facilities. It formalises our practices and makes clear that, recognising differences in cultures and legal requirements, we expect that wherever our suppliers are located – producing products for us or delivering services for us – they are produced and / or provided in a manner compatible with the high standards that contribute to our reputation.

In 2017 we will review how we engage with strategic suppliers and update our Supplier Code of Conduct.

### Joint venture partners

We are involved in a number of joint ventures with commercial partners and customers. Strong relationships, based on mutual trust and respect and clarity of roles, are essential if a joint venture is to deliver excellent customer service.

Our EMTs are responsible for relationships with our joint venture partners, supported by members of the Executive Committee and plc Board as appropriate. This includes holding regular strategy and review meetings with our partners.

As with our suppliers, we continue to enhance the systems and processes, seeking to ensure that our joint venture partners meet the standards we have set ourselves in our policies and through our Values.

### Strategic partners

We often deliver services as part of a consortium, either as prime contractor or as a subcontractor. This allows us to bring together companies with the skills to meet the precise requirements of a bid. This includes working with voluntary sector organisations, which often lack the scale and experience to access major government programmes. Responsibility for relationships with our strategic partners lies with the relevant contract and Divisional management.

## Our approach

### Our supply chain

Our relationship with our suppliers is an important component in achieving high performance in our business. In selecting suppliers, we work hard to choose reputable business partners who are committed to ethical standards and business practices compatible with ours. While we operate in a number of different markets, our operations are characterised by the provision of services. This is reflected in the make-up of our supply chain, summarised below.

#### Coverage



Global services company

#### Total Spend Tier 1 Suppliers

£1.8bn

#### Tier 1 Suppliers

15,600

#### Supplier invoices

660k

#### Purchase orders

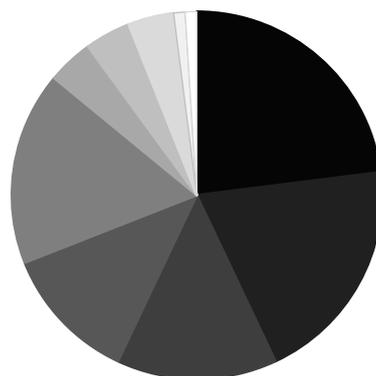
177k

#### Spend by country

Top ten countries by volume of suppliers account for 97% of suppliers

- |                         |                             |
|-------------------------|-----------------------------|
| 1. United Kingdom       | 6. Hong Kong                |
| 2. Australia            | 7. United States of America |
| 3. United Arab Emirates | 8. Singapore                |
| 4. India                | 9. New Zealand              |
| 5. Netherlands          | 10. Saudi Arabia            |

#### Spend by Category



- Facilities Management
- Corporate Services
- Info and Comms Technology
- Marine
- Human Resources Services
- Property and Real Estates
- Ground Transportation
- Utilities, Fuels and Oils
- Medical and Scientific
- Health and Employment Services
- Aviation

## Our people

Our services are delivered through people: we are entirely dependent on their skills and commitment to deliver the services our customers expect. They are the single greatest contributor to our reputation.

People flourish when they are engaged, inspired and motivated to give their best.

We value diversity and work to create an inclusive and fair environment for all.

To support our colleagues in meeting their potential and working to the best of their ability, we have policies, systems and processes for recruiting, developing, rewarding, reviewing and managing them. These reflect our Values, comply with labour and employment laws and regulations wherever we work, are aligned appropriately with local tradition and culture, and help to build trust in our working relationships.

### Our people governance

What we do to support and enable our people is defined by the commitments we make in our people policy and the objectives we set for ourselves in our people strategy.

The Group Chief Executive is responsible for the annual people objectives of the Executive Committee and for ensuring that our people strategy is reviewed on an annual basis. Ownership and responsibility for developing and maintaining Group people policy and strategy sits with the Group Human Resources (HR) Director. Working with the plc Board, the Group HR Director validates the people strategy and reports progress as required.

On behalf of the Group HR Director, the Group HR Centres of Expertise at the corporate centre are responsible for policy, strategy and governance within each of their respective areas of specialism, covering the entire employee lifecycle.

The Group HR Centres of Expertise include Employee Relations, Resourcing, Reward and Talent.

Each Division has a Divisional HR Director, appointed by the Group HR

Director and Divisional Chief Executive and responsible for implementing Group people policy and strategy across the Division.

The Group's people strategy and people objectives and targets are incorporated into Divisional strategies and objectives.

The Group HR Director is responsible for the means with which we govern, manage and execute our people strategy, supported by an HR Directors' Forum – our global HR leadership team.

The members of the HR Directors' Forum include all Divisional HR Directors, all Group HR Centre of Expertise Directors, and HR Shared Services leadership.

The plc Board receives a report quarterly on the delivery of the people strategy across the Group.

### Our people strategy

Our people strategy represents our ambitions for how we attract, manage, and motivate employees to deliver the business strategy. It is reviewed every year to ensure that it is aligned to current best practice and delivery of the Group business strategy and acknowledges regional priorities.

Underpinning all our people strategy objectives are the following strategic imperatives:

- We want our leaders to be fit for the future, agile and adaptable, and clear on the behaviours and results expected of them. Leaders who know what is expected of them and develop experience across Serco, who create the environment for a successful workforce, and enhance our reputation for great service.
- We want our colleagues to be highly engaged and passionate about service. We want them to share our Values and a sense of personal responsibility for delivering great customer outcomes, and to achieve them time after time.
- We want our workforce and people management practices to have an unrivalled reputation for effectiveness and efficiency. We want to make it easy to manage our workforce with simple, standard and intuitive systems and processes.

## Our people

### Leadership and development

We run a series of programmes aimed at developing the professional capabilities key to the high performance of our business.

For example: in Serco Americas our 'Fellows' programme addresses business skills for high-potential leaders. To date, there have been three iterations conducted: Program Management, Business Development and Innovation; in the UK, programmes for Operational Excellence and Value Proposition address topics that are enablers for our continued growth.

All Divisions are seeking to make Serco the best-managed business in our sector, notably by introducing and increasing development activity that improves our people management skills. These programmes target our team managers and managers of managers, providing in some instances externally recognised accreditation in people management (Certificate IV in Asia Pacific; CMI in UK.)

We continue to invest in the development of our future leadership pipeline, with talent programmes helping to identify, select and develop high-potential talent.

In Serco Americas, our 'Leadership Horizons' development programme has been expanded to include senior managers and high-potential employees, addressing leadership competencies such as People and Culture, Operational Excellence and Customer Excellence.

In the UK, we have worked to improve the gender balance of our leadership and leadership pipeline development programmes ('Lead' and 'Grow') through the encouragement of female application and selection. In the 'Grow' programme as a result, female participation rose from 14% to 50% from December 2015 to May 2016.

In 2017 we will continue to identify opportunities to expand the scope of our leadership pipeline and associated development programmes – thereby to increase the size, capability, diversity and engagement of our talent pools – and drive internal career development and mobility.

We will build on our existing series of development programmes, including our Oxford Management Programme (see below), seeking to drive a broader and more inclusive impact across the organisation.

### Talent management and succession

We drive accountability and responsibility for ensuring the calibre of our leadership through our Talent and Succession processes.

Our Annual Talent & Succession Reviews assess current leadership capability and succession to the Divisional and Functional EMTs. The reviews are also an important tool for measuring and monitoring leadership diversity, specifically regarding our future leadership and succession pipelines. Aligned to the refresh of our Group Diversity & Inclusion Strategy (see **Diversity and inclusion**, page 21) our leadership diversity data is analysed in the reviews, and revisited in our Quarterly Talent Reviews.

Quarterly Talent Reviews ensure that actions are delivered and identified risks and issues dealt with. Talent and Succession Planning Boards were introduced across a number of functional and business areas in 2015, and in 2016 we have focused on embedding these. The Boards identify potential emerging talent, succession challenges, opportunities and critical role and people risks; calibrate performance and potential ratings; generate draft succession plans; and agree actions and monitor progress.

### Serco Oxford Management Programme

In partnership with Oxford Said Business School, we have introduced a five-day residential course at Oxford University. Over the next four years some 400 people will pass through the course, designed exclusively for Serco, to help build a cadre of managers who are aligned and have developed specific insights into issues such as strategy, leadership, operational excellence and account management.

Cohorts complete a six-month programme, which includes the Oxford residential course. Each cohort includes approximately thirty representatives of our leadership population, five from each Division and Group, selected for participation through a formal nomination process that ensures global representation. Ninety leaders attended in 2016 and the next 120 are scheduled for 2017.

The course is delivered by members of the Oxford faculty, sharing expertise from their field practice and research with Serco. Said Business School were selected as our partner for the high quality of their custom executive education and their involvement in executive education with some of our key customers around the world.

Angie Risley, Non-Executive Director of the Serco plc Board, visited the course and commented, "It's great to see such a diverse group from all regions and functional areas, collaborating, learning together and developing relationships. They are a very engaged, energised, interactive group, committed to Serco's successful future. Individuals feel valued and invested in. The programme is aligned to driving Serco's performance and strategy ... an impressive investment for Serco's future."

Inspired by the Oxford Management Programme, our UK business is commissioning workshops that draw and expand on elements of it – bringing them to life to address specific business requirements with support from the Oxford faculty. One of the workshops, sponsored by our Health Sector Centre of Excellence, will facilitate planning and innovation for an integrated healthcare proposition, while the other will address account management and customer relationships for our Central Government Division.

*"The course has in my view provided tools and ideas that can be applied across the business to realise our strategy and build a stronger sustainable business. The networking opportunities have created greater cohesion in the leadership team and will facilitate sharing of ideas, innovation, knowledge and people. From my perspective it's the first time a significant global group of leaders from across all business units have come together. I leave feeling invigorated, better connected and better informed."* Serco Asia Pacific delegate

## Our people

### Engagement

Employee engagement is fundamental to the success of our business. We know that engaged employees deliver our Values and a better service for our customers, and are more productive and fulfilled in their roles.

We believe that engaged employees:

- speak positively about Serco to others, and recommend it as a great place to work;
- are committed and loyal; and
- feel motivated and inspired to go the extra mile.

Engaged employees have a sense of personal attachment to their work and to Serco. They are motivated and able to give their best to help enable our success. From that emerges tangible benefits for organisation and individual alike. There is a wealth of evidence that higher levels of engagement contribute to improved organisational performance. Our own research and experience confirms that the links are genuine and statistically significant. Higher levels of engagement drive higher levels of performance.

Our employee engagement agenda continues to evolve with new technology and practises:

- Strengthening action planning to deliver higher engagement.
- Using technology to create an 'engagement resources hub' to support managers.
- Strengthening insights and decision-making.
- Raising awareness of personal responsibility in engagement at work.
- Continuing to promote the role of leaders and line managers.

We measure engagement through our Viewpoint employee survey, but it is intended to be more than just a survey. It is a catalyst for ongoing dialogue between our leaders, managers and employees throughout the year, and it enables employees to advise improvement opportunities for future consideration.

We drive improvement in engagement through our annual engagement roadmap, focused on taking action in response to the survey results. Engagement in Serco is not about creating a separate engagement agenda; we strive to embed engagement across Serco as a vehicle to drive and sustain performance.

In 2016, we targeted for improvement the key drivers of engagement as per our 2015 results (Connection to Serco, Learning and Development, Taking Action on Employee Feedback, and Recognition). Divisional activity to address these was supported by sharing global best practice, central resources and communications.

We updated the survey to improve results analysis, including further development of our Culture Index, introduced in 2015 to enable greater insight into 'Serco culture' (covering ethics, integrity and diversity and inclusion.) The Culture Index has been expanded and aligned to the new Values, while still reflecting a strong ethical bias. Each of the four new Values has been mapped to questions in the survey, enabling insight into employee perceptions of the extent to which they are being lived.

There has been a significant increase this year in appetite for analysis of global functional Viewpoint results. Our Group Functions have sought broader, strategic engagement insights regarding their global populations in support of delivering their objectives.

There has also been greater demand for interim 'pulse' surveys. They have been deployed across our UK and Asia Pacific regions at various levels. Pulse surveys are shorter, targeted engagement surveys, focussing on what has happened since the main Viewpoint survey. The results enable finely-tuned action planning.

A new Leadership engagement tool was introduced in 2016 and well received globally. The 'Individual Instant Insight' tool reports an individual Leader's overall engagement level privately once they have completed the online survey.

### Viewpoint 2016

**Employee engagement: 54%**  
(53% in 2015)

**Aon Hewitt Global Weighted Average:**  
56%\*

**Leadership engagement: 72%**  
(55% in 2015)

**Aon Hewitt Global Weighted Average:**  
75%\*

\* External benchmark from our employee engagement partner, based only upon the markets in which we operate. Markets are proportionally represented in the benchmark by factoring in our headcount within each market.

They also receive feedback on the likely impact of their engagement on those around them, in particular their direct reports, and suggestions for action they can take. The tool is intended to drive an increase in our Leaders taking accountability for their engagement and the role they play in the engagement of others.

Our 2016 Viewpoint survey was successfully launched and completed in Q3 with a strong participation rate (80% across the Group – up 4% from 2015; 92% for leaders – no change from 2015.) Our employee engagement partner, Aon Hewitt, have advised that, in comparison with other service-based organisations, "Serco achieves one of the highest response rates in their sector."

The results showed a 1% overall improvement in employee engagement, continuing a positive trend that our employees' experience of working for Serco is improving. The positive trending analysis tells us that they are seeing positive changes in the way we manage our business and serve our customers.

Leadership engagement has increased by +17% to the highest level in five years. Our leaders are feeling more confident about the future direction of Serco. They also feel recognised and supported in their development.

In 2017 we will continue trying to improve engagement, focussing on our priority engagement drivers in: Connection to Serco, Taking Action, Recognition and Resources.

## Our people

### Diversity and inclusion

We want to be a place people are proud to work. Creating a diverse and inclusive workplace to attract and retain talented people from all backgrounds and cultures plays an important part in how we will achieve this.

For example, we recognise that diverse workforces enhance organisational creativity and innovation, and contribute to the development of solutions and services that more effectively, and efficiently, meet customer needs – creating commercial advantage.

Due to the nature of our business, Serco is inherently diverse. We encourage and support our people to take ownership and responsibility for our diversity and inclusion agenda, striving to ensure that mutual respect and dignity is understood, seen and appreciated as the way we conduct and deliver our business.

Our Viewpoint findings confirm that our employees believe we value diversity as an organisation.

We do not take this for granted, however, and must always be ready to respond to change.

### Viewpoint 2016

**Our Diversity & Inclusion Index: 72%**  
(70% in 2015)

**76% of employees believe that Serco values diversity**  
(76% in 2015)

**62% of employees believe that we seek to include and make use of the talents and capabilities of everyone**  
(58% in 2015)

### Diversity and Inclusion Spotlight: Serco Middle East

In November, our Middle East business was recognised for the 'Best company project in the field of Nationalisation' at the Council of Ministers of Labor for Gulf Arab States, and received an award for 'Nationalisation efforts in the United Arab Emirates.'

Currently, Serco Middle East employs in excess of 4,000 employees of which there are seventy different nationalities represented. We work across five countries (UAE, Iraq, Bahrain, KSA and Qatar) and the within three business units: Transport, Aviation and Defence, and Health and Facilities Management. Across the Gulf Cooperation Council (GCC) countries, the requirement to employ Nationals is being enshrined in law or within Commercial Contracts to ensure that quotas are met and that private organisations are held to account for the transfer of knowledge and skills to the local workforce.

Our regional diversity and inclusion strategy includes both direct employment of Emiratis, Saudis and Qataris, as well as training and support for our customers to employ highly capable and skilled Nationals. There are a number of initiatives currently in place to support the Nationalisation agenda.

For example, in the Dubai Metro and Tram contracts we have established the Al Mosharakah Committee, a forum for UAE Nationals chaired by our Managing Director of Transport, and implemented an Emirati employee survey to better understand motivations and issues facing the population. In our Kingdom of Saudi Arabia and Qatar businesses we have developed a workforce plan that identifies roles that can be delivered by Nationals and a resourcing project to identify the pool of National talent in Qatar and KSA.

### Refresh of our Group diversity and inclusion strategy

In 2015, a review of diversity and inclusion across the business was conducted by the Executive Committee, to evaluate whether our activities to date were sufficient, taking into account the increased focus on gender and equal pay legislation being introduced across some geographies.

Their conclusion was that our historic approach, driving diversity at a contract and Divisional level, has been a strength and led to many positive outcomes.

Opportunities for improvement were identified, however, including the need for increased diversity within our leadership population.

In 2016, therefore, we have refreshed our approach to the creation of a diverse and inclusive workforce, defining our strategy for implementation at three levels:

1. Group. Setting policy and the broad framework to ensure consistency of approach, as well as providing clarity on key areas of focus.
2. Divisional. Each Division develops its strategy aligned to the overall framework and identified priorities appropriate to their geographies, sectors, employee base and according to local legislation. Progress is reported through normal business review and governance frameworks.
3. Business Unit/Contract. For some business units or contracts a further level of focus is appropriate. This would be the case in businesses of a particular size, in particular geographies, or according to local customer specifications.

Our updated global diversity and inclusion goals are to attract, develop and retain employees from the broadest possible talent pool; create an inclusive environment with zero tolerance to any form of discrimination; promote equality of opportunity and diversity within the communities where we operate; and develop service delivery innovation through a culture of inclusion, enhancing collaboration and encouraging employees with a broad range of perspectives, experiences and styles to share ideas.

## Our people

### Diversity and Inclusion Spotlight: Serco UK and Serco Americas

The Inspiring Women at Serco UK network, established in 2015, is chaired by Liz Benison, Divisional Chief Executive, and sponsored by Geoff Lloyd, Group HR Director. The network is entirely self-selecting and aims to support our female talent to enable them to progress their careers within Serco and at the same time use the combined energy of the group to make a tangible difference to how gender equality is viewed in the workplace and how this can drive change in the marketplace.

Membership has grown to over 300 employees across the UK. A strong connection with the Serco Americas network is already established and Serco Asia Pacific and Serco Middle East are being engaged. The network is organised into seven regional based groups, each steered by a 'chapter' lead and engaged in various initiatives to drive delivery of network objectives:

- Giving benefit back to Serco
- Advancing individual development
- Championing social responsibility activities
- Promoting a positive image of Public Sector outsourcing in the market place

Our Women at Serco Americas network has introduced Women at Serco Discussion Groups, providing a safe environment for women to share and discuss the unique challenges of being a female leader as a minority in functional groups and contracts. The Discussion Groups offer a new way to network and engage that prompt relationships and informal mentoring, as well as providing information and different perspectives. Additionally, they are often conducted by external subject matter experts, which again contributes alternative perspectives and supports the inspiration of our female leaders.

We are aiming to deliver these goals through our Employee Lifecycle – to develop and sustain a diverse and inclusive workforce through our core people processes and training.

For example, we are reviewing our approach to resourcing to ensure that our employee proposition appeals to the broadest range of communities.

We will continue to monitor and review performance ratings by gender, focussing particularly on those in the talent pool and succession plans.

We are improving diversity in our talent pipelines through fresh thinking about development, career and succession planning.

At the end of our Employee Lifecycle, we treat all employees who leave us with respect and dignity, taking the opportunity as appropriate to learn from them to improve future retention strategies and to guard against inappropriate bias.

### Regional diversity and inclusion

We recognise that diversity and inclusion have different meanings across the regions and cultures in which we operate. Our Divisions need to respond to their own local legislative requirements. For example, the Australian government continues to legislate to improve the economic participation of indigenous communities. In the US, a long track record of diversity legislation creates a highly regulated environment. EU legislation continues to impact on working practices across Europe, with increasing emphasis on the human rights agenda that also encompasses diversity and inclusion.

Each Division has developed its own three-year diversity and inclusion strategy and plan which aligns to our business ambitions and global diversity and inclusion framework.

Our focus moving into 2017 is to ensure appropriate measurement and monitoring of Divisional delivery, with clear and robust data. Each Division is accountable for tracking and reporting their own metrics, aligned to the areas of focus defined in their respective three-year strategies. These are being incorporated into existing report schedules. In addition to our ongoing work through our core people processes, we will continue to drive existing regional initiatives and share best practices whilst seeking to supplement these with new resources.

### Gender diversity data

At 31 December 2016, the numbers of men and women employed by Serco were as follows:

	Number		Percentage	
	Male	Female	Male	Female
Directors	7	2	78%	22%
Senior managers	58	12	83%	17%
Employees	25,989	18,784	58%	42%
Total	26,054	18,798	58%	42%

At 31 December 2016, we had gender information on 94% of employees.

(Source: Serco global HR systems, figures provided on a total headcount basis; excludes joint ventures.)

### Diversity and Inclusion Spotlight: Serco Asia Pacific

Serco Asia Pacific is developing its first Reconciliation Action Plan (RAP) for our improved engagement with Aboriginal and Torres Strait Islanders.

Our vision is, "to create a lasting future for Aboriginal and Torres Strait Islander people, their families and communities through service delivery, care, education, career development and business partnerships."

The RAP codifies a number of initiatives we already participate in and provides a blueprint for future actions. In 2016, we continued to celebrate and participate in National Reconciliation Week (NRW) by providing opportunities to build and maintain relationships between Aboriginal and Torres Strait Islander peoples and other Australians; delivered opportunities for people in our care to create ongoing relationships with other Aboriginal and Torres Strait Islander men and their families through celebration including participation in activities for National Aboriginal and Indigenous Day of Celebration (NAIDOC); continued the implementation of cultural awareness training strategy for our staff in contracts that currently enter into this training; supported spiritual and cultural rituals and practices for people in our care; reviewed HR policies and procedures to ensure there are no barriers to staff participating in cultural events; and developed strategies for our employees to support Aboriginal and Torres Strait Islander businesses.

## Our people

### Recognition

Our Values define our behaviour and the actions that we take. We want to highlight and celebrate the people who bring our Values to life, who enable our organisation to succeed and encourage us all to follow the example they set.

We know there is a strong link between organisations that operate successful recognition programmes and higher levels of employee engagement and improved business performance. In order to build a sustainable recognition culture, though, we want to make sure that appropriate schemes and resources are in place to enable and encourage the identification or nomination of any employee, for both informal and formal recognition.

Successful recognition is appropriate to the individual, their actions and the environment in which they work. We operate across many different markets, in many different countries, each with their own unique opportunities for accomplishment.

### Pulse Awards

Our premier programme of recognition for employees is the Serco Pulse Awards, which we launched in 2008. For eight years, the Pulse Awards have celebrated the vibrant heart of Serco – extraordinary people doing extraordinary things – in the service of their colleagues, their customers and their communities. They have served to showcase the behaviours that exemplify our Values and demonstrate why we hold them in such high regard.

Every year, all around the world, our employees nominate colleagues they believe worthy of global recognition for their achievements. From these nominations, Divisional Pulse Award winners are identified and selected. These Divisional winners are then put forward for Global Pulse Awards. From among those individuals and teams, a panel of judges choose those outstanding candidates who deserve our highest accolade: the Global Pulse Award.

#### Divisional Pulse Award Winner 2016 – Trust – Serco Asia Pacific

Through their integrity and consistently outstanding performance, our Intelligence Team at Kohuora Auckland South Corrections Facility in New Zealand inspires trust and confidence in our colleagues and customer alike. This team is relied upon, entrusted with, and actively contributes to ensuring everyone's safety every day.

The team gathers, manages and acts upon intelligence information at the Facility. It's a vital part of maintaining a secure prison and protecting staff, prisoners and visitors. Their collaborative approach has created highly effective partnerships with stakeholders – including colleagues, the police and our customer – and the team has established a reputation as the vanguard for prison safety and security.

Their diligence and professionalism has set new benchmarks that are now being replicated by other agencies. The team has earned unanimous respect and recognition for their track record of achievements, including: arrests of people attempting to smuggle contraband into the prison; finding contraband in cells; successful maximum security reclassification; and removal of dangerous prisoners to a maximum security facility.

In 2016, the Pulse Award winner categories were updated in line with the launch of our Values – Trust, Care, Innovation and Pride – while retaining our Heart award category.

688 formal nominations for Divisional awards were considered, representing hundreds more people through all team nominations received as well as those for individuals.

105 people were selected for Divisional Pulse Awards, of whom approximately one quarter will go on to receive Global Pulse Awards, to be announced in 2017.

Our Trust Awards recognise individuals and teams who have built trust and respect with those they serve.

Our Care Awards recognise individuals and teams who have gone beyond what is expected to show we care about those we serve and the local communities they work in.

Our Innovation Awards recognise those individuals and teams who have developed new ways of meeting customer expectations, sharing best practice or streamlining the services we offer for the benefit of our customers and Serco.

Our Pride Awards recognise individuals and teams who have inspired others and made Serco a place where we are proud to work through the things they do and the way they behave.

Our Heart awards are given to those exceptional few who have been placed in exceptional circumstance where they have gone to help others in an hour of need or saved lives.

#### Divisional Pulse Award Winner 2016 – Care – Serco Americas

Our office in Reston, Virginia was recently recognised by Fairfax County Public Schools for their work with local high school students. For seven years, John Herrin and the Serco Facilities Team have partnered with South Lakes High School to provide community work experiences in real world settings for students with disabilities, to prepare them for the demands of the workplace.

Under the programme, students have worked with John in the mail room, scanning and logging packages, assisting with mass mailing, delivering mail to employees and restocking supplies around the office. The South Lakes Career and Transitions lead praised Serco for being flexible and accommodating to the students and for dedicating approximately 500 hours of volunteer service to helping them.

A colleague said, "We routinely see John Herrin address the students with respect and a firm, but understanding, attitude. His patience and dedication serves as a reminder to us ... that we're not just here to do a job, we're here to perform a service as best – and as diligently – as possible."

## Our people

### Local and regional recognition

To make it possible for all our employees to be valued and recognised for every exceptional achievement across such a diverse landscape of service, we cannot rely solely on our annual recognition programme.

Instead, we encourage the implementation of local recognition schemes. Who better to recognise and respond to the achievements of a colleague than the people around them?

In 2016, taking their cue from the launch of our Values, the Divisions have refreshed their local and regional recognition programmes, integrating the Values as appropriate for their businesses.

For example:

In the UK, a suite of recognition programmes has been developed in collaboration with leadership across the business, including the 'On the Spot Award', for everyday excellence, and the 'Living our Values Award', for employees who have regularly gone above and beyond in living our Values.

Meanwhile, at contract level, we have well-established 'employee of the month' programmes, and in addition many sites have introduced new schemes based on the Values, or aligned existing ones, including the 'We love what you do' awards at Peterborough City Council, and the 'Monthly Star' awards at Forth Valley Royal Hospital and Wishaw General Hospital.

Serco Middle East have re-designed their existing recognition programme to align to the Values, while both Serco Asia Pacific and Serco Americas are expanding their existing initiatives to enable greater recognition for employees, while also enabling the achievements of our people to be shared further across the organisation.

The refresh of local and regional recognition programmes – and the work to embed them – will continue through 2017.

### Divisional Pulse Award Winner 2016 – Innovation – Serco UK

We serve up over 1,000 main meals each day to patients across the three main sites at East Kent Hospitals University NHS Foundation Trust in Ashford, Canterbury and Margate. Since 2012, the team has worked in partnership with the Trust to introduce a range of service improvements, which have been positively received by patients. In 2016, our innovations in patient catering services, and the exceptional standards of patient food and care offered by our teams, have won a Healthcare Caterers Association 6 Cs Award (for Care, Compassion, Competence, Communication, Courage and Commitment.) This industry award recognises our work to enhance patient experience – various initiatives including substantial improvement schemes for patients living with dementia, working with the Dietetic and Nutrition Department.

We have introduced a finger food (buffet style) platter menu for patients with advance dementia who have less dextrous abilities to eat with cutlery. This scheme has also been rolled out for patients with poor appetites, those who cannot manage a full meal, and others unable to use cutlery. These meals are served on blue plates, encouraging visually-impaired patients with dementia to eat as they can more easily distinguish the food from the plate.

We have also assisted with the Trust-run Memory Lane Cafés, introduced to assist and calm patients admitted to the unfamiliar hospital environment that could potentially further confuse and disorientate them. The cafés enable patients and relatives to spend supervised time in a tea room-style environment, on the ward, with familiar and reminiscent furniture and a pleasant, sedate atmosphere. The cafés provide a calmer, happier experience for the patients. Thanks to these innovations, East Kent's national PLACE (patient-led assessments of the care environment) scores for food have now risen above the national average.

### Divisional Pulse Award Winner 2016 – Pride – Serco Middle East

Gerardo Naungayan was literally rescued from his previous employer and facing redundancy due to his lack of technical skills, where his work accommodation was very poor – he could not even cook meals. We offered him a role as an office clerk and housed him with our engineering staff in an apartment tower – the first he had ever lived in. He was hired for his incredible work ethic and constant good humour.

His duty list, of his own devising, is pages long. Constantly on the move, he knows every detail of his role and the requirements of all for whom he provides service, including our external clients, going out of his way to ensure everyone is taken care of.

One of Gerardo's first tasks was to reorganise a general office store that had been poorly managed for five years. Not only was the store transformed by his efforts, into a well organised and usable space, Gerardo discovered unused but obsolete printer cartridges which he arranged to be bought back off the site for several thousand Emirati Dirham.

Gerardo now controls all office consumables for the site, and the annual re-ordering process, but his greatest contribution is his attitude and his smile, all day every day, demonstrating immense pride in his role, and inspiring pride in his colleagues.

Regarding our Pulse Awards, we are looking at making it easier to nominate, through upgrades in our online nominations system, whilst seeking to more effectively align the awards with other Serco recognition schemes.

We will also seek to drive improvement in employee perceptions of recognition through a focus on the role and impact of the People Manager.

## Our people

### Community

All around the world, our people need little encouragement to engage with and support their communities. Partly because our local and regional communities are the people where we work, the people where we live, and the causes that we believe in. But also because they care deeply, the same reason why many of our people choose to work for Serco. A high proportion of them originate in the public sector and identify with our public service ethos.

We are privileged to be able to make a positive difference to the lives of thousands of people, every day. For us, our care for our communities is indistinct from the services we deliver to our customers. At the same time, our community engagement and investment helps us to better understand community needs, and operate existing contracts more effectively, particularly where we are delivering services directly to the public.

Our community activity is as diverse as our business, and managed locally. Our Divisions and individual contracts are best placed to understand the needs of the communities in which they operate, how these align with the aims of customers and how they relate to our employees.

Throughout this report you will find examples of the contributions our people have made in every region – often sharing the same subject matter expertise that enables us to deliver our Corporate Responsibility agenda.

Additional examples of our diverse range of activity include:

In Serco Asia Pacific, our Community Sponsorship Programs provide a practical way for our teams to work with their local communities, provide funding to community groups, and support a cause that's relevant to both our people and the sector they work in. These augment the range of informal community work around our contracts.

At Fiona Stanley Hospital (FSH), a Community Sponsorship Program has been run since 2013. Seventeen grants have been provided over the past three years to support local community organisations with a focus on health and wellbeing. Acacia Prison has also now introduced the scheme, awarding six sponsorships up to a value of \$2000 in 2016, to organisations that offer youth or crime intervention programs. The success of the Programs is owed to the strong take up by employees, enabling them to engage with community representatives and build on our reputation as corporate citizens.

As a result of our grant, local Murdoch organisation, Second Harvest provides food and baby essentials packed into hampers for social workers at FSH to dispense to mothers who are in crisis. The grant will enable Second Harvest to supply hampers to families in need for a twelve-month period.

Secret Harbour Surf Lifesaving Club is also supported. 180 volunteer surf lifesavers patrol the local beaches and provide schools and community groups with CPR, first aid and aquatic lifesaving training. Drawn from all age groups and demographics, volunteers are recognised as highly trained, active members of the community. The club has been responsible for more than 1,200 rescues, 1,700 first aid cases and 13,000 preventative actions. Our support enables the club to provide lifesaving services, including the purchase of first aid supplies and maintenance of lifesaving equipment.

Acacia Prison is located in the Perth Hills district, which includes areas of high at-risk youth. To help combat the problem and support local police and welfare initiatives, the Acacia community grants provided funds to the Parkerville Children & Youth Care Centre and the Swan City Youth Service. Both youth centres have used their funding to provide dedicated recreation programs linked to education outcomes.

#### Helping chronic pain sufferers back to work – Serco UK

Our Employment, Skills and Enterprise (ESE) business has teamed up with the University of Warwick's Medical School to take part in a study to explore ways of helping people with chronic pain get back into work; the first study of its kind in the UK. Working with employers, the Warwick team will design a package of care and support for people who are out of work because of chronic pain. They aim to overcome the obstacles to getting back to work faced by both patients and employers.

Leading the research team is Senior Research Fellow at Warwick Medical School, Robert Froud, who said, "Chronic pain affects between 8% and 60% of the population, depending on the definition used. It costs the UK economy billions each year and can have an enormous impact on individuals financially, socially and physically. However, working is known to improve health outcomes, reduce poverty, and improve quality of life and wellbeing."

The study will be using a type of support package, known as Individual Placement Support (IPS), as the basis of the research. IPS has previously been used with people unemployed with mental health problems with some success. The Warwick team will adapt this type of package of care so that it can be also used for people with chronic pain. Our ESE team, Coventry City Council and University Hospital Birmingham will be providing a total of thirty work placements for the people in the study. Existing NHS and expert support will be provided to both the employees and the employers.

If the scheme is successful there will be potential for national roll-out in the future, which could help millions of people in their battle against pain.

Gareth Moss, our Director for Employment, Skills and Enterprise, said: "Our employment business focuses on supporting and empowering people to secure sustainable work and progress in their careers, and to do this effectively we take into account any health concerns. We are therefore delighted to be working with the University of Warwick on exploring new ways to help transform people's lives."

## Our people

In Serco UK our people invest time, money and energy every year through a range of engagements with local and regional communities, charities and social enterprises.

For example:

Annually, the Serco-managed International Fire Training Centre (IFTC) hosts an event for PHAB (Physical Handicapped and Able Bodied). Young adults from the area visit the site for fire demonstrations, a barbecue and entertainment. A similar event is hosted for the children of Chernobyl, which began as a result of training the firefighters who were involved in the Chernobyl incident. The IFTC also hosts regular charity evenings to raise money for fire fighter welfare causes.

Through some of our London contracts we support First Step Trust (FST), an innovative charity which runs social enterprises to provide work and training opportunities for people excluded from work because of mental health issues or other disadvantages, including drug and alcohol recovery problems and a history of offending.

In September, colleagues from our Group Functions joined forces to help improve the grounds of a residential care home run by SeeAbility, a national charity that supports individuals with sight loss and other disabilities. For the second year running, the group of volunteers spent the day at the local SeeAbility facility, giving the gardens a makeover to make the grounds more pleasant for residents.

Lisa Hopkins, Chief Executive of SeeAbility, commented, "Serco is an exemplary corporate partner for SeeAbility. The Group team has transformed the grounds of our specialist care location as well as raised awareness about the national Children in Focus campaign to transform sight care for children with disabilities. The team's efforts have saved the charity significant resources allowing precious fundraised income to be used for the direct benefit of the individuals we support."

### Delivering urgent evacuation relief to a local community - Serco Americas

In the NATO Flying Training Centre at 15 Wing Moose Jaw, Saskatchewan, Serco Canada employees work side-by-side with military personnel to deliver a smooth-running operating environment and to manage logistics in a manner that is conducive to enabling NATO pilots to focus on practising and learning. Our team at Moose Jaw are a close knit group of 15 employees dedicated to helping others – hosting charity events to raise money and awareness for Crohn's Disease and Ulcerative Colitis and supporting several local families in need every Christmas.

In May 2016, a wildfire broke out in Fort McMurray, Alberta, placing the entire city under a mandatory evacuation order. 80,000 residents were forced to leave – many with only the clothes on their back. The fire spanned more than 500,000 hectares. As the news broke, the Moose Jaw team rallied together and organised a relief drive to collect food and personal items for donation to support the evacuees. In just three days, the Serco team and Moose Jaw community collected 544 kg of goods and materials to donate. Program Manager, Dave Willows, then drove for 800 km (nearly ten hours) to deliver the supplies to the Alberta Evacuation Centre.

The staff at the evacuation centre were immensely grateful for the donated supplies, and also praised the team's additional effort to box and label everything to make it easier to distribute them to the c. 1,500 people being cared for at the centre every day.

In Serco Americas, our 'Serco Heart' program provides our people with opportunities to support their local communities and our corporate causes.

Serco Heart supports corporate causes by sponsoring charitable organizations – providing funding and resources.

The program also supports our employees who are participating in events that benefit our chosen charities, including the Military Child Education Coalition, the American Diabetes Association, the Kaleidoscope of Hope Foundation, the Wounded Warrior Project and the National Parkinson Foundation.

The program also encourages our people to get involved in local community and charity efforts by donating time and money to causes that are important to them, from charity golf tournaments and cycling events to food and clothing drives.

For example:

The Hearts for Heroes fishing trip, founded by a Serco employee, is an annual event for combat-wounded US Military servicemen recovering at Armed Services YMCA locations.

Our employees gather donations from community members and local businesses to cover all expenses for participants.

Since its inception in 2012, Hearts for Heroes has expanded to three locations including San Diego, CA, Virginia Beach, VA, and Chesapeake Bay, MD.

## Our performance

Key Performance Indicators - 5 year analysis: Ethics & Speak Up							2015 v 2016	Var %	Notes
	2012	2013	2014	2015	2016				
<b>Ethics</b>									
Upheld cases of anti-competitive behaviour	0	0	0	0	0	0	-		
Upheld cases of corrupt behaviour	0	0	0	0	0	0	-		
Upheld cases of human rights violations	0	0	0	0	0	0	-		
<b>Speak Up Cases</b>									
Investigated	N/A	N/A	95%	96%	97%	1%	-	1	
Corrective action taken	N/A	N/A	56%	63%	53%	10%	-		
Disciplinary action taken against one or more individuals involved in a case	N/A	N/A	15%	24%	16%	8%	-		
Dismissal of one or more individuals involved in a case	N/A	N/A	9%	6%	6%	0%	-		
Closed within 3 months	N/A	N/A	70%	48%	64%	16%	-		
Key Performance Indicators - 5 year analysis: People*							2015 v 2016	Var %	Notes
	2012	2013	2014	2015	2016				
<b>Staff Turnover</b>	26.9%	31.5%	31.0%	32.8%	33.8%	-1%	-	2	
<b>Gender (Female employees % of total workforce)</b>	44.5%	40.9%	44.4%	42.6%	41.9%	-0.7%	-	3	
<b>Disability (People with disabilities % of total workforce)</b>	0.2%	0.2%	0.7%	1.3%	1.2%	-0.1%	-		
<b>Age profile</b>									
% 16 – 24	9.40%	10.22%	10.21%	9.52%	9.11%	-0.41%	-		
% 25 – 40	30.24%	33.96%	35.15%	35.99%	35.69%	-0.30%	-		
% 41 – 54	27.64%	28.92%	29.8%	29.17%	29.2%	0.03%	-		
% 55 – 64	12.88%	13.38%	14.64%	14.9%	15.56%	0.66%	-		
% 65+	2.31%	2.25%	2.44%	2.27%	2.60%	0.33%	-		
% undisclosed	17.53%	11.27%	7.76%	8.15%	7.84%	-0.31%	-		
<b>Proportion of days lost to sickness</b>	2.25%	2.83%	3.25%	3.17%	3.20%	0.03%	-		

### Notes:

The performance analysis is based on data reported as at 17 February 2017. Additional data may arise after this date. Where this occurs, numbers will be corrected in the following year's table. There have been some adjustments to reflect late reporting of data in regards to 2015 data.

All data excludes JVs and historical BPO data to enable a like-for-like comparison. Our private sector offshore BPO business was sold in December 2015.

The People figures shown above are representative only of employees for whom the relevant data is available. Current levels are in line with benchmark targets for the geographies and markets in which we operate, however we continue to try to improve them. Annual targets are managed at local and regional levels.

- Where anonymous cases provide insufficient information, we are unable to investigate.
- The current trend in turnover is driven by the planned reconfiguration and reduction of our global workforce, in line with Group strategy.
- Gender data in 2012 excludes Serco Asia Pacific.

## Our performance

### Health and Safety

Our aspiration is zero harm. Nothing is so urgent or important that we cannot do it safely.

Strong health and safety performance seeks to ensure the safety of our people and protects our reputation.

Wherever they work and whatever their role, our people must adhere to stringent health and safety procedures.

These procedures are embedded in the SMS and are the minimum standards that apply. A core element of this is understanding the safety risks we face as a business.

We operate in a number of heavily regulated, safety-critical areas, which place stringent requirements upon us.

We seek to have the systems in place to deliver these requirements, as reflected in the regulatory approvals and licences we operate under. This also means that we have regular regulatory oversight.

Together, these factors give us our controls framework for managing our Health, Safety and Environment (HSE) responsibilities.

### Viewpoint 2016

**Our Safety Index: 76%**  
(71% in 2015)

**72% of employees feel Health and Safety is taken seriously at Serco**  
(71% in 2015)

**73% of employees believe that their manager will act on any safety issues that they identify**  
(N/A 2015)

### Health, Safety & Environment governance

Strong HSE governance is crucial, because wherever we work, we have a duty of care for our people, our customers, our partners and contractors. The safety-critical areas we operate in present a broad range of risks that we must manage. We aim to deliver this through effective safety management systems that ensure risks are identified, quantified, prioritised, and dealt with sensibly, responsibly and proportionately.

To address this, we have a governance framework that allows appropriate devolution of responsibility to those best placed to manage HSE risks while ensuring appropriate reporting and oversight. Delivering our HSE policy commitments is an essential part of risk management and is led by the plc Board, but every employee has a part to play.

Key components of our HSE governance:

- Overall commitment and leadership on HSE comes from the plc Board, which reviews HSE performance at each board meeting.
- The CRC is responsible for the formal review and oversight of HSE. The CRC receives an HSE report quarterly on incidents, performance and delivery of strategic initiatives across the business.
- Tasked with managing the business, the Executive Committee reviews HSE performance and is responsible for agreeing strategy, objectives and targets.
- The HSE Oversight Group regularly brings together the HSE Leads from each Division to discuss issues, performance and delivery of strategic objectives.

Each Divisional HSE Lead reports quarterly to their Divisional EMT on HSE performance, incidents and key initiatives. More than 150 assurance professionals are employed across our contract base.

They have the training to provide competent health and safety advice at all levels, and ensure company policy and management systems are properly applied and continue to reflect business requirements.

HSE matters are included within our internal audit programmes delivered at contract, Division and Group levels. We maintain external certifications that provide independent review and certification to key HSE systems.

### Our Health, Safety and Environmental strategy

We have reviewed and revised our HSE strategy, recognising that there will always be more we can do in pursuit of zero harm – improving our processes and management systems, reinforcing leadership and commitment, and training and developing the health and safety capabilities of our people.

Our global strategic objectives are:

- to drive improvement and focus on safety culture to increase leader and employee engagement, which we will measure through our Viewpoint employee engagement survey;
- to raise visibility and apply a consistent approach to the management and reporting of third party incidents, particularly in regard to sub-contractors;
- to review and improve consistency in approach to how incidents are managed and reported with specific emphasis on lessons learned and the sharing of these across the organisation; and
- to drive improvement and focus on environmental issues and management.

In 2016 we have been pursuing these objectives in all regions.

For example:

In Serco Asia Pacific we have worked to build greater trust and engagement with our workforce, to thereby improve performance, through improved work practices and a culture of safety.

## Our performance

- We are trialling innovative training for Musculoskeletal Disorder Prevention and Resilience and Mental Health First Aid, to improve workplace injury prevention. In our Health business unit, for example, push/pull testing undertaken for all trolley and bed movements has resulted in key changes to equipment and the introduction of new assistive technology that reduces manual handling and body strain.
  - In Justice & Immigration, a review of compulsory control and constraint training has introduced revised techniques, filming of manoeuvres to facilitate learning, refresher training for all staff, use of protective equipment to enhance personal safety and the use of body cameras to de-escalate and deter potential disturbances and incidents.
  - A new Divisional Safety, Environment and Wellbeing Management Framework has been designed and the legacy system is being reengineered to make it easier for people to use, enabling greater efficiencies and enhanced performance analysis for more effective decision-making and action-planning, and improved control effectiveness and legislative compliance.
- In Serco Middle East, the same agenda is being implemented:
- A safety and assurance communications programme has been launched, as part of the Divisional communications strategy, to ensure regular safety and assurance communications across the Division.
  - The Executive and Regional Management Teams have sponsored safety leadership across the Division, increasing the visibility of their own personal commitment to safety with more frequent engagement through an increase in leadership tours and senior leadership presentations on safety. Twenty-seven Executive Leadership tours were completed during 2016. As well as raising the profile of safety leadership and reinforcing the safety culture in the Division, these tours identified a number of improvement opportunities for consideration by the Divisional Health & Safety Committee.
  - We have centralised the Safety & Assurance Function into one Divisional team and are developing a register of Health & Safety subject matter experts across the Division, who can provide expert advice and guidance in their chosen areas.
- In the UK:
- We have worked with the UK Health and Safety Laboratory ([www.hsl.gov.uk](http://www.hsl.gov.uk)) to trial a 'Safety Climate' tool for evaluating and benchmarking our safety culture and improvement planning. Contracts in several business units have used the tool to identify strengths and areas for improvement. Measuring employee perceptions regarding health and safety issues and organisational approach, the tool reports against a benchmark database of over 200 organisations. Approximately 700 people were surveyed. The results have provided a very strong base from which to set objectives and behavioural improvements. The tool will be deployed across our Central Government Division in 2017.
  - A new HSE call centre service was developed and deployed in 2016 to provide a centralised and coordinated system for reporting accidents, incidents and near misses. Available 24/7, the new service simplifies incident reporting, making it easier for any employee in any location to report with one phone call.

### Road Safety Culture – Serco Middle East

Another objective in our Middle East business has been to embed a Road Safety culture across the Division, partnering with Road Safety UAE ([www.roadsafetyuae.com](http://www.roadsafetyuae.com)) to improve road safety awareness of employees and the wider UAE community. Road Safety UAE attracts many sponsors, including government entities and international organisations. We have sponsored 'bus transport safety' and are working with local providers of employee transportation through a programme of activities and initiatives, including:

- The establishment of a bus transport supplier's safety forum for both our suppliers and all UAE suppliers who wish to participate.
- Defensive Driving Courses have been provided to Serco and sub-contractor drivers. Approximately 60 staff have undertaken the training, learning how to:
  - Conduct pre-inspection of vehicles prior to driving.
  - Understand the stresses of driving as well as managing aggression.
  - Avoid accidents and property damage due to unsafe driving.
  - Gain more understanding of their responsibility as a road user.
- Hosting a contractors' road safety awareness day, inviting both Serco contractors and other local businesses to participate. Presentations were given by Dubai Police and other private organisations. The event was attended by more than ninety managers from local businesses.
- Ongoing delivery of existing road safety awareness programmes for employees, including use of seat belts, expected behaviours and sharing of lessons learned from road safety-related incidents.

## Our performance

- We have been introducing Human Factors as part of our operational capabilities for improved identification of root causes to failures in our total safety process. Training has been developed and is being rolled out across the business.
- Several health and wellbeing events took place in 2016, including a dedicated safety day on which contracts 'stopped' to recognise HSE at their site. Each contract held different activities, including 5s (workplace organisation) workshops, risk assessment reviews and training days. At our UK headquarters, our occupational health partner provided various resources and activities to engage employees in consideration of personal health, fitness, diet and mental wellbeing.
- Our UK HSE Function was audited by PWC in Q4 2016. The findings complement other data collected through the year are informing objectives for 2017.

Also in 2016, a global review of our employee engagement survey questionnaire by regional health and safety leads has introduced a new health and safety question to enhance understanding of employee safety perceptions.

Some of our areas of focus in 2017 will include: the ongoing deployment of the new safety climate tool; embedding our new reporting process; reviewing our online incident management reporting tool; and building on our work in 2016 to improve the capture of near miss events

### Our Health and Safety Key Performance Indicators

We monitor and have objectives around a number of performance indicators including lost time and major incidents and physical assaults.

During 2016 we continued the work started in 2015 to better define the key indicators we use and how rates are calculated. This has resulted in publication of a revised Incident Management and Reporting Group Standard Operating Procedure. We also replaced reporting incident rates normalised by numbers of employees with frequency rates normalised by one million hours worked. Our historical data and 2016 targets have been recalibrated.

In 2015 we sold the majority of our private sector offshore BPO business which had high staff numbers and operated in a low safety risk environment, resulting in lower safety rates across all key indicators.

To provide data that is meaningful and comparable, we have restated our historical data to exclude the disposed operations. The data also excludes joint venture operations.

### Occupational safety incidents

Safety performance has consistently been good across all Divisions with all indicators (with the exception of serious physical assaults) showing good improvement against 2015.

Lost time incidents (LTIs) relate to any work-related occurrences incurring one full lost working day or more, and provide a general overview of safety performance.

The number of lost time incidents are normalised per one million hours worked to give the Lost Time Incident Frequency Rate (LTIFR).

In 2016 the number of lost time incidents reduced by 21%, compared to 2015. At 459, it is the lowest number of incidents reported in the last five years.

This positive performance is reflected in the Lost Time Incident Frequency Rate per one million hours worked, at 4.98. This 14% improvement exceeds our target which was set at a 5% reduction against a 2015 baseline. When physical assault events are removed, manual handling and slips, trips and falls continue to be the main causes of incidents.

Related to this, the Lost Time Incident Severity Rate (LTSR) has also reduced by 16% to an average of 16.1 days lost per incident.

Managing absence and return to work has been an area of management focus with a number of areas of the business putting in increasingly effective return to work programmes. However, there is more that needs to be done to continue to reduce this figure.

The proportion of lost time incidents reported which were also classed as a major incident has increased from 5.8% to 6.3% in 2016.

### Leisure safety excellence, community education and saving lives – Serco UK

In March, our National Sports Centres at Lilleshall and Bisham Abbey were both awarded Quest (UK Quality Scheme for Sport & Leisure) 'Outstanding' status. This is the first time a national sports centre has achieved an 'outstanding' rating, placing both sites in the top 1% of best managed leisure facilities in the UK. Sheppey Leisure Complex and The Aquasplash, Jersey both secured an 'Excellent' rating. The Quest scheme considers many aspects of leisure management, including health and safety, environmental management, customer experience, maintenance, community outcomes, cleaning and staff training and supervision.

In June, all our leisure sites with swimming pools participated in the Royal Life Saving Society's 'Drowning Prevention Week,' aimed at educating local communities about how to stay safe near water and prevent drowning.

Two Serco lifeguards in Jersey were congratulated by Jersey Fire & Rescue and the Coastguard for helping to save a woman's life during the annual St Helier Seaside Festival in August. Chris Rothery and Scott Ward sprang into action on their surf rescue boards after they became aware of a swimmer in difficulty and drifting out to sea. Directed by police to the exact location, they were the first to reach her. Chris helped the woman onto his rescue board and paddled her back to the shore where they met the rescue crew. Faye Camp, Contract Manager for The Aquasplash, Jersey, said, "We are incredibly proud of both Chris and Scott. Their prompt actions helped save this woman's life and also meant the emergency services didn't need to launch a full response."

## Our performance

Major incidents are classed as fatalities, fractures, amputations, dislocations, loss of sight, chemical and hot metal burns, electrical burns, unconsciousness caused by asphyxia or exposure to a harmful substance and acute illness resulting from substance inhalation or ingestion.

This increase in proportion of incidents reflects a focus on prevention which has reduced the overall number of lost time incidents – however, particularly in the case of assaults, when they occur a greater proportion are major, reflecting a focus next on potential mitigation.

Whilst the proportion of incidents classed as major has increased, the overall number at 25 is a 26% reduction against 2015. This is reflected in the frequency rate (Major Incident Frequency Rate (MIFR) per one million hours worked) at 0.27 which is a 20% improvement on 2015 and exceeds our target which was set at a 5% reduction against a 2015 baseline.

Divisions will continue to drive a range of initiatives appropriate to the safety risks of their operations, pursuing continuous safety improvement.

To monitor this, we have set the following targets for 2017 based on our actual 2016 performance:

- To reduce our Lost Time Incident Frequency Rate per one million hours worked by 10%.
- To reduce our Major Incident Frequency Rate per one million hours worked by 15%.

### Physical assaults

Wherever we operate we aim to provide a safe environment to work in. We recognise the risks of the different environments in which we operate, some of which can result in our staff being assaulted. In particular, custodial and immigration operations in the UK and Asia Pacific are challenging environments where this risk exists and has been the subject of significant management attention over recent years.

This is not just a Serco issue, but an industry issue.

For example, in the UK the National Offender Management Service (NOMS) reports that over the last two years there has been significant increases in serious physical assaults.

Our custodial and immigration operations complete detailed risk assessments, regularly review controls and drive initiatives to better understand and manage this risk – however, the environment continues to evolve and this remains an area of management attention.

A number of initiatives have been implemented to date, including: review of location specific violence and anti-social behaviour strategies; increased communications; shared learnings; strategic threat assessments; improved security to intercept illicit items; improved staff-prisoner relationships; and the review of intervention and de-escalation techniques.

Overall the number of physical assaults reported in 2016 has reduced by 14% to 625 compared to 2015. This has resulted in a Physical Assault Frequency Rate (PAFR) per one million hours worked of 6.78 which is a 5.7% improvement on 2015.

This improvement was driven by Serco Asia Pacific, which has seen a 41% improvement in numbers, dropping from 304 in 2015 to 180 in 2016.

Their immigration operations, which have driven a range of prevention and de-escalation focused initiatives, have seen their number of physical assaults reduce by 56.6%.

However, this has been offset slightly within their custodial operations, which has seen an increase in physical assaults reflecting the different risk profile of the custodial environment.

The custodial environment in the UK has also seen an increase (7%) in numbers with a corresponding 17% increase in their physical assault frequency rate per one million hours worked.

Whilst the overall number of assaults has reduced, the percentage that are classified as serious has significantly increased (+75%.) Serious assaults made up 6.7% of assaults in 2015. This has risen to 13.8% in 2016. This may be due partly to better definition but also reflects that when interventions are happening they appear to be more violent.

The Serious Physical Assault Frequency Rate (SPAFR) per one million hours worked, at 0.93, is nearly double that of 2015 and fails to meet the target improvement set at 5%.

We will continue to develop a range of initiatives to drive reductions in assaults and serious physical assaults in particular.

To monitor this we have set the following targets for 2017 based on our actual 2016 performance:

- To reduce our Physical Assault Frequency Rate per one million hours worked by 6%.
- To reduce our Serious Physical Assault Frequency Rate per one million hours worked by 10%.

## Our performance

### Our environmental impact

Our aspiration for zero harm applies as much to the environment as it does to health and safety. It makes good business sense to protect our reputation, be resource efficient and reduce our energy consumption, carbon (CO<sub>2</sub>e) and wider environmental impact.

The SMS sets out how we will deliver our environmental commitment, aligned to the ISO14001:2015 standard on environmental management.

We recognise our responsibility to ensure that any adverse impact on the environment is reduced, or where possible, eliminated by applying the most appropriate management systems at contract level – whether designed by our customers or by us.

Our activities are typically managed locally, enabling a wide range of initiatives around the world. Where environmental initiatives have been identified, specific indicators relevant to each project are agreed so that delivery, and where possible, impact can be assessed. This is monitored within the relevant Division and managed locally to ensure appropriate ownership and sustainability.

Across more than two thirds of our business, we are working on our customers' premises and are therefore not in direct control of the environment in which we operate.

That is why collaborative working with our customers on environmental issues is important.

Where not in control of the working environment, we support our customers in applying their own environmental management systems and objectives.

For example, for the Dubai Metro, our implementation of several process improvements in 2016 to reduce water consumption – including: overflow monitoring, improved response and investigation techniques – has resulted in the reduction of consumption by 0.11 gallons per passenger.

### Improving energy and fuel efficiency

In the UK, we have introduced improved building management system controls, boiler upgrades and heating zone controls in our custodial estate, which will deliver circa 1,750 tonnes CO<sub>2</sub>e savings per year.

In Serco Americas, our specification and replacement of 300 lighting elements from T-12 to T-8 units at our Arkansas office will save circa 12% in grid electricity use and corresponding carbon emissions for facility lighting.

At our Tsing Sha Control Area Contract in Hong Kong, the team have implemented a seasonal programme of energy efficiency initiatives, to promote awareness and take energy efficiency actions appropriate to each season.

The team have also implemented lighting upgrades and improved control of lighting and air conditioning systems.

In the UK, our commercial vehicles use minimum miles route planning software to reduce fuel consumption. Telematics have been rolled out across the majority of our commercial fleet. We will be using the data from this system to inform our driver training programme to promote fuel-efficient and safe driving behaviours.

### Waste hierarchy improvements

At RAF Brize Norton, our Waste Management team have transformed the way waste is managed on the site, making time and cost saving improvements to the processes of disposing hazardous and non-hazardous waste. Their forward thinking and innovative ideas to segregate waste that may have a value has resulted in recovering aircraft parts from the waste subcontractor which can be reconditioned and reused, saving up to £750,000.

In Serco Americas, Facilities Management renovated additional office space, and reused surplus furniture from elsewhere. The reused cubicles and furniture resulted in an estimated saving of \$100,000.

### Environmental achievements and initiatives at Fiona Stanley Hospital – Serco Asia Pacific

Fiona Stanley Hospital (FSH) opened in 2014. We provide facilities management services to the site, delivering non-clinical services through state-of-the-art technology to ensure the smooth running of the whole hospital. FSH have successfully sustained a number of environmental achievements and initiatives.

The water efficiency management plan reduces water usage and maximises efficiencies within the potable water supply system. A comprehensive waste management plan is reducing the production of waste and diverting it from landfill, including a number of medical recyclables and treatment of waste at source.

The hospital has been a signatory for the national CitySwitch Green Office programme since 2015 and collaborated with Curtin University Post-Graduate School in the development of a Sustainability Action Plan for the Administration Building of the hospital precinct. A green office initiative has been implemented in the Administration Building to improve indoor environment quality, including the removal of under-desk bins and deployment of indoor plants throughout the office, and created a new environmental management induction video.

Through a community alliance with the neighbouring Challenger Institute of Technology (South Metropolitan Technical and Further Education) FSH provides access to the conservation areas at the hospital in return for provision of additional monitoring data in relation to conservation values. Fiona Stanley is aiming to be a pilot site for the National Australian Built Environment Rating System (NABERS) hospital tool being developed by the New South Wales Office of Environment and Heritage and the Department of Health, Western Australia.

## Our performance

### Environmental Tools Spotlight: Assure Environmental Module

We have developed our HSE incident, risk and reporting system (Assure) to provide a comprehensive global environmental reporting system with which to more efficiently and effectively address the current and increasing requirements to report on energy consumption and carbon management.

The new Environmental Module automates the data capture and reporting process and enables all Divisions to capture and report environmental data in accordance with the Group Standard Operating Procedure for Carbon Management. It has been rolled out across all regions and is now in use.

By enhancing our existing functionality we have created a single source for all environmental data that feeds more reliable and accurate data into monthly and quarterly operational and management reporting and improve the provision of data and documentation in external reporting.

Our staff at Brisbane Immigration Transit Accommodation (BITA) Centre in Queensland, Australia have been working with detainees to reduce waste and help the centre's gardens to thrive by using their organic waste to nurture a worm farm. The worms produce a natural environmentally friendly fertiliser that the team then uses to cultivate seedlings for planting in spring. This initiative has seen detainees and colleagues collecting food scraps from the kitchen and old newspapers from the common room to feed to the garden worms. The team has also used the initiative as part of an educational programme to teach detainees about recycling and sustainable gardening. The programme has proven to be a great conversation topic, fostering engagement between colleagues and detainees.

### Promoting biodiversity

Our grounds team at Holme Pierrepont Country Park, home of the National Water Sports Centre in Nottingham, UK, won a 'Wildlife on Your Doorstep Award' for the positive impact they've had on local wildlife. The team actively encourage wildlife to thrive, despite the pressure to maintain the grounds so that outdoor adventure activities can take place onsite.

Our NorthLink Ferries' MV Hamnavoe hosted a spectacular cruise around the island of Hoy, Scotland, as part of Orkney Nature Festival 2016. The festival is a collaborative project organised by the local RSPB (Royal Society for the Protection of Birds) Scotland team on behalf of partners around Orkney. It was set up in 2013 and aims to celebrate and share Orkney's natural heritage.

### Climate resilience

As well as considering our impact on the environment, it is important that we consider how environmental factors affect our operations. This year we have undertaken an assessment of climate risk to our UK operations and made recommendations to our risk management and business continuity processes to ensure these are effectively managed.

### Carbon disclosure

In 2016, we responded again to the Carbon Disclosure Project FTSE350 (CDP) request for information, achieving a score of 'B', demonstrating that we are taking coordinated action on climate issues.

### Greenhouse gas emissions

Our reporting year for greenhouse gas emissions (scopes 1 and 2 covering direct emission sources such as fuel combustion, company vehicles, fugitive emissions, purchased electricity, heat and steam) is one quarter behind our financial year, namely 1 October 2015 to 30 September 2016.

We report our emissions data using an operational control approach to defining our organisational boundary. This follows the greenhouse gas protocol and defines how we meet the Regulations' requirements in respect of the emissions we are responsible for.

We quantify and report to ISO 14064-1 2012. We have used the 2016 UK Government Conversion Factors for greenhouse gas (GHG) reporting 2016 and the latest International Energy Agency electricity conversion factors for non-UK operations.

We have also opted to use operational control as the consolidation approach, due to the nature of our business, with employees who are often on customer sites where no operational control is possible.

As this approach is inconsistent with the financial statements, we have described the classification of reporting boundaries in detail in our Basis of Reporting 2016 document, available on our website: [www.serco.com](http://www.serco.com)

### Educating children about recycling – Serco UK

Dean Malley, refuse and recycling driver on our Sandwell Environmental Services contract, visited a local primary school in October to help children with their 'People Who Help Us' topic and teach them about recycling. As part of the topic, children at Annie Lennard School are learning about the different people who work in their community, so Dean Malley was asked by teachers at his granddaughter's school if he would consider visiting their Reception class pupils to talk about his job. Dean happily took up the offer and volunteered his time to speak with the four- to five-year-old children.

On the day, pupils immediately recognised Dean's bright orange uniform, guessing that he was a 'bin man'. Dean went on to tell them about why it's important that their bins are emptied, what 'recycling' means and what his working day involves. Dean also explained that he makes sure that people are putting the right items in their recycling bins. Pupils' recycling knowledge was then put to the test with them being given an item of 'rubbish' and having to guess which bin it should go in.

John Mason, General Contracts Manager, said, "I'm very proud of Dean for taking the time to represent Serco and support this local school with their curriculum. It was a great opportunity to inform pupils of what our waste and recycling collection teams do and inspire the future adults of Sandwell to recycle as much as they can."

## Our performance

We report all material emission sources for which we consider ourselves responsible and have set our materiality threshold at 5%. These sources align with where we consider we have operational control.

The emissions that have not been included in this year's report relate to refrigerant gases from air conditioning and refrigeration outside the UK. After analysis, we believe these emissions are immaterial.

We do not have responsibility for any emission sources that are beyond our operational control – for example, business travel other than by our own transport – and therefore do not report them here, although we are investigating over 2017 the potential for increased scope 3 reporting in the future.

Scope 3 emissions (indirect emissions due to Serco's activities) can be found in our annual Carbon Disclosure Project FTSE350 submission.

### Greenhouse gas emissions 2014 & 2015 restatement

In relation to our 2015 GHG data we had to delay its verification until after the publication of the 2015 Annual Report and Accounts.

When the verification was undertaken it identified a number of factors, including late reporting of some data information, misapplication of some GHG and unit conversion factors, coding errors in our reporting system with regard to the type of fuels consumed and gaps in consumption due to infrequent invoicing which required estimation, which are significant enough to require the restating of our 2014 and 2015 GHG emissions (see table below).

To address these factors our process has changed in 2016 to ensure independent ISO 14064-3 verification prior to data publication.

In order to do this we have made significant investment in our data collection processes and systems.

### Greenhouse gas emissions 2016

In 2016 the total carbon dioxide equivalent (CO<sub>2</sub>e) was 291,883 tonnes.

In recent years we have normalised this against numbers of full-time employees (FTE) to calculate a carbon emissions intensity (tonnes of CO<sub>2</sub>e per FTE). Our corporate target for 2016 was to reduce our carbon emissions intensity (tonnes of CO<sub>2</sub>e per FTE) by 3% for the frontline operations against our 2015 performance.

Our actual intensity rate at 5.98 showed an increase against 2015 which meant we fell short of our target by 18%. Contributing factors to our 2016 performance have been increased marine oil CO<sub>2</sub>e (15%) and energy-intensive contracts (e.g. leisure centres), a reduction in FTE count and further improvements to data capture and reporting.

Whilst our intensity rate has shown an increase overall our actual carbon emissions have improved year-on-year with a reduction of 2.4% over the last 12 months. When a longer view is taken we have reduced our actual carbon emissions by 27% against our emissions in 2013.

Over recent years we have used various approaches to setting reduction targets, intensity-based by FTE, revenue and service type (frontline / back office (BPO) / Group.)

Recognising the evolving profile of our business and sale of our private sector offshore BPO business at the end of 2015, we will use 2017 to review our approach to target setting in terms of absolute / intensity-based and target longevity.

This will include a review of the corporate science-based target setting approach. We have therefore not set a specific target reduction for 2017 whilst the review is completed.

In addition we propose to look at increasing the scope of our reporting by reviewing scope 3 value chain emissions and understanding which categories are material and practical for us to report on in future.

We have already reported an element of our scope 3 business travel in previous CDP climate change response submissions but recognise we have more work to do in order to fully appreciate our scope 3 footprint and thereafter to work more closely with our supply chain to understand risks and opportunities with regard to products and services.

## Our performance

Key Performance Indicator: Occupational safety – 5 year analysis	2012	2013	2014	2015	2016	2015 v 2016	Var %	Notes
<b>Major Incidents</b>								
Major Incident Frequency Rate (per one million hours worked)	0.53	0.25	0.33	0.34	0.27	0.07	19.58	
<b>Lost Time Incidents</b>								
Lost Time Incident Frequency Rate (per one million hours worked)	5.97	5.12	4.81	5.79	4.98	0.81	14.04	
Lost Time Incident Severity Rate	11.46	18.90	17.53	19.10	16.08	3.03	15.84	
<b>Physical Assaults</b>								
Physical Assault Frequency Rate (per one million hours worked)	6.31	5.11	7.04	7.19	6.78	0.41	5.72	
Serious Physical Assaults (per one million hours worked)			0.38	0.49	0.93	-0.45	-91.96	1
<b>Prosecutions</b>								
Number	0	0	0	1	0	0	0.00	2
Fines paid (£'000)	0	0	£50	£200	0	0	0.00	3
<b>Prohibition Notices</b>								
	0	0	0	0	0	0	0.00	
<b>Safety Engagement (Viewpoint survey)</b>								
	71%	71%	70%	71%	76%	5%	-	
<b>Key Performance Indicator: Environment – 5 year analysis</b>								
2012	2013	2014	2015	2016	2015 v 2016	Var %	Notes	
<b>CO<sub>2</sub>e (Tonnes)</b>								
Total Group	N/A	398,519	343,717	298,986	291,883	7,103	2.40	4
% Electricity		53%	54%	46%	37%	9%	-	
% Gas		12%	12%	9%	10%	-1%	-	
% Petrol		1%	0%	0%	1%	-1%	-	
% Diesel		7%	7%	9%	10%	-1%	-	
% Fuel Oil		8%	7%	2%	1%	1%	-	
% Specialist Marine Fuel		19%	20%	34%	40%	-6%	-	
% Fugitive Emissions		0%	0%	0%	0%	0%	-	
<b>Headcount Intensity (tCO<sub>2</sub>e/1,000 FTE)</b>								
	N/A	7.27	6.32	5.16	5.98	-0.82	-15.89	
<b>Scope</b>								
Scope 1 Combustion of fuels and operation of facilities	N/A	187,217	173,441	162,198	182,819	-20,621.00	-12.71	
Scope 2 Grid electricity purchased for own use	N/A	211,302	170,276	136,789	109,064	27,725.00	20.27	
<b>Carbon Disclosure Project</b>								
	92%	92%	97%	99%	B	-	-	5
<b>Prosecutions</b>								
Number	0	0	0	0	0	0	0.00	
Fines paid (£'000)	0	0	0	0	0	0	0.00	
<b>Enforcement Notices</b>								
	0	0	0	0	0	0	0.00	

### Notes:

The performance analysis is based on reported data as at 17 February 2017. Additional data may arise after this date. Where this occurs, numbers will be corrected in the following year's table. There have been some adjustments to reflect late reporting of data in regards to 2015 data.

All data excludes JVs and historical BPO data to enable a like-for-like comparison. Our private sector offshore BPO business was sold in December 2015.

1. Prior to 2014 reporting on serious assaults was not consistent. New reporting definition introduced and requirement mandated.
2. Relates to an incident in 2011.
3. 2014 Breach of regulation 5 of the Merchant Shipping & Fishing vessels (health and Safety at work) regulations 1997. Related to prosecution by the maritime and Coastguard Agency pursuant to the Merchant Shipping and Fishing vessels (health and Safety at work) regulations 1997 where we were found guilty of failing to ensure the health and safety of workers on 3rd August 2011 when an employee tragically lost their life whilst working on the Woolwich Ferry, UK.

## Our performance

4. Environmental data is reported annually for the periods October to September. 2014 re-stated as over reported (see table below) and 2015 re-stated as under reported (see table below). Due to time restraints the verification of our 2014 and 2015 GHG emissions data was delayed until after the publication of the Annual Report and Accounts. When the verifications were undertaken they identified a number of material issues with our emissions assertion that were significant enough to require the restating of our 2014 and 2015 GHG emissions. To address the factors that led to this restatement, we have made significant investment in our data collection processes and systems, and our process has changed in 2016 to ensure independent ISO 14064-3 verification prior to publication of the Annual Report and Accounts.

Year	Reported scope 1 emissions (tCO <sub>2</sub> e)	ISO 14064 verified scope 1 emissions (tCO <sub>2</sub> e)	Variance (%)	Reported scope 2 emissions (tCO <sub>2</sub> e)	ISO 14064 verified scope 2 emissions (tCO <sub>2</sub> e)	Variance (%)	Overall Variance (%)	tCO <sub>2</sub> e over reported	tCO <sub>2</sub> e under reported
2014	168,381	173,441	3	199,631	170,276	-14.7	-660.00%	24,295	NA
2015	121,621	162,198	33.4	104,387	136,789	31	3230.00%	NA	72,979

5. New scoring mechanism introduced in 2015.