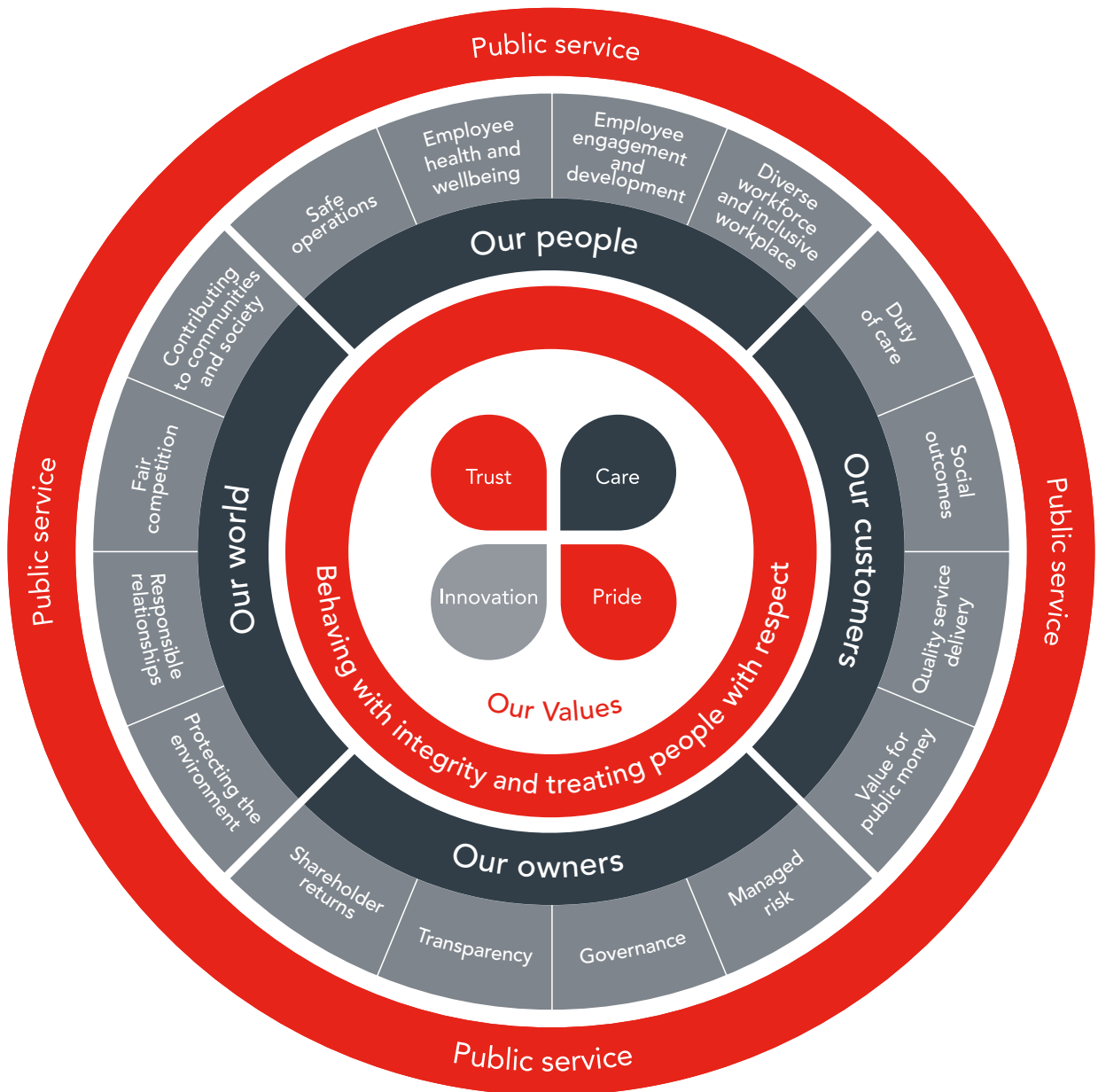


Corporate Responsibility Report 2019



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Our commitment

As a public company our job is to deliver to our owners attractive returns on their capital, and they expect our profits to increase over time. However, for those returns to be sustainable the Company needs to behave in a way that is responsible and consistent with the broader interests of society. We take this responsibility very seriously.

We are employed to make money for the owners of the business. Without profits we could not generate or attract investment or deliver services or employ people. But we do not regard this as inconsistent with making a positive contribution to society or behaving responsibly. To the contrary, it is the sine qua non of the Company's reputation as a trusted organisation providing public services and its ability to secure and retain business from Governments into the future.

We recognise that if we do not behave in a responsible way the value of the Company could be severely impacted and indeed we have experience of this behaviour. We have, through this experience, learned the importance of being very thoughtful about the way we conduct ourselves (see pages 11 to 12).

Our Values of Trust, Care, Innovation and Pride help us to stay grounded and sit at the heart of how we operate.

We do not believe that it is for Serco to opine on morality, but whilst making money for our shareholders, we serve society in four main ways.

First, by helping Governments to deliver reliable, high-quality services which represent good value for the taxpayer; in many cases this involves providing citizens (or people who aspire to be citizens) with services at difficult times in their lives, or providing services which support critical national infrastructure and assets. Doing these things well is an important contribution to society, and in so doing we support the UN Sustainable Development Goals 11 (Sustainable Cities and Communities) and 16 (Peace, Justice and Strong Institutions).

Secondly, we serve society by employing more than 50,000 people, and giving them jobs which are fairly paid, a safe and healthy workplace where diversity is positively valued, careers which allow them to develop and achieve to the best of their abilities, and ensuring that they are treated with respect. In so doing we support the UN Sustainable Development Goals 1 (No Poverty), 3 (Good Health and Wellbeing), 4 (Quality Education), 5 (Gender Equality), 8 (Decent Work and Economic Growth) and 10 (Reduced Inequalities).

Thirdly, in our interactions with others – be they suppliers, politicians, competitors, lenders or investors – we contribute to society by being straightforward, transparent, respectful and fair. In so doing we support the UN Sustainable Development Goals 12 (Responsible Consumption and Production) and 16 (Peace, Justice and Strong Institutions).

Fourthly, the Company and its employees pay tens of millions of pounds in taxes. In so doing we support the UN Sustainable Development Goals 12 (Responsible Consumption and Production) and 16 (Peace, Justice and Strong Institutions).

Talking about these things runs the risk of leaving the impression that we believe our behaviour and thinking is always perfect. In a company employing more than 50,000 people worldwide, someone, somewhere is probably doing something stupid or behaving badly. From the Board down, we will make mistakes or take decisions which time judges harshly. We are often faced with situations where there is no clear answer to what is 'doing the right thing'. Regulation and rules cannot provide the answer to everything and we are paid to use our judgement. But just because we are imperfect humans in an imperfect world does not mean that we should not set ourselves high standards of behaviour, and try to make a positive difference, every day.

Here we summarise our progress and performance in delivering our Corporate Responsibility (CR) agenda which includes recognition of our environmental, social and governance (ESG) responsibilities.



Kirsty Bashforth
Non-Executive Director

Chair, Corporate
Responsibility Committee



Rupert Soames
Serco Group plc
Chief Executive

About Serco

What we do

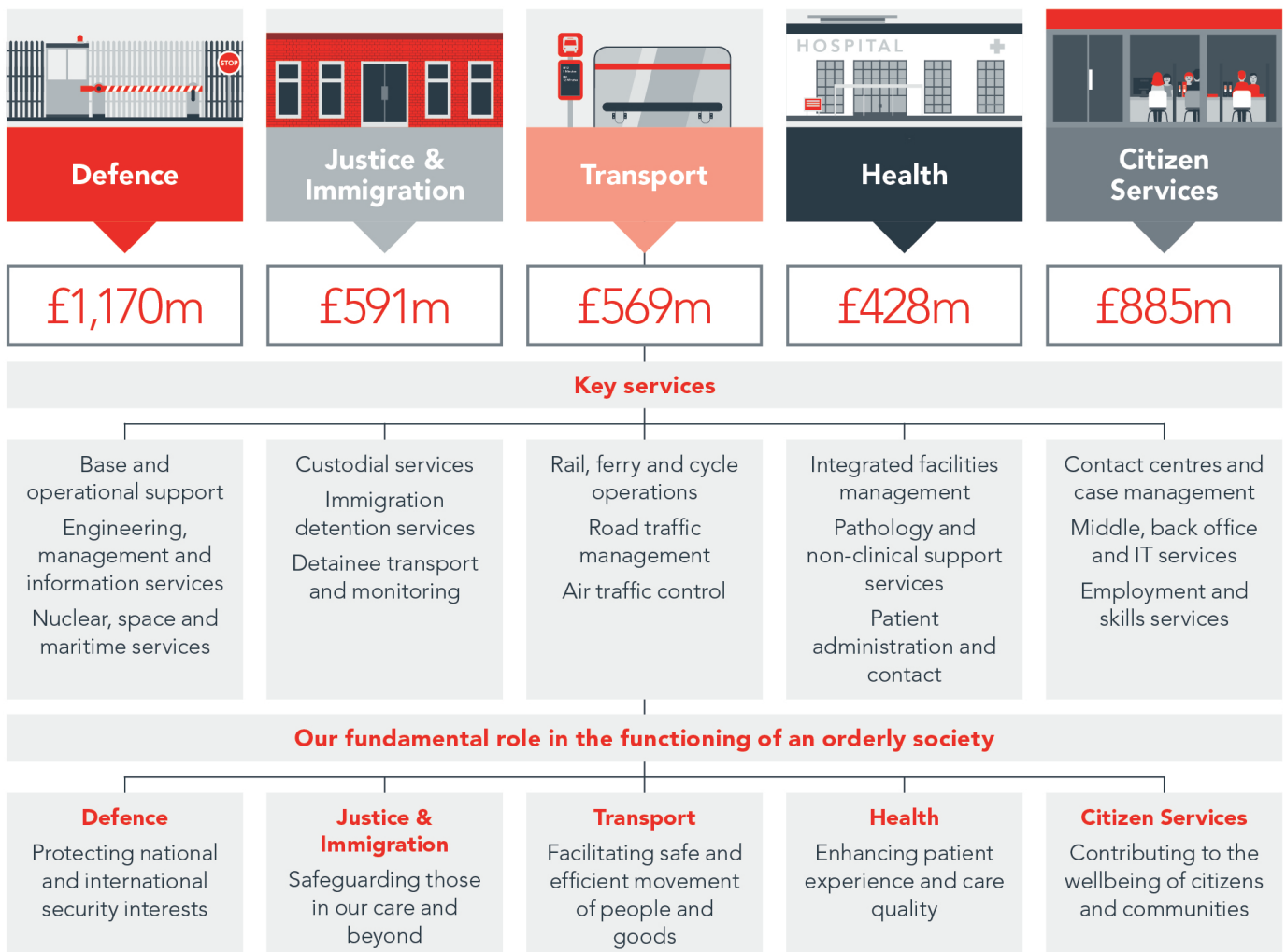
Serco delivers services to governments and other institutions who serve the public or protect vital national interests.

Serco's roots go back to 1929, and in 1988 the Group was listed on the London Stock Exchange. Now, Serco is a FTSE 250 company managing over 500 contracts worldwide and employing over 50,000 people across our operations.

We deliver services through people, supported by effective processes, technology and skilled management. Our customers define what outcomes or services they need to deliver, and we develop new and more effective ways to deliver them. We provide innovative solutions to some of the most complex challenges facing governments, bringing our experience, capability and scale to deliver the service standards, cost efficiencies and policy outcomes governments want. In this way we make a positive difference to the lives of millions of people around the world, often looking after some of the most vulnerable and disadvantaged in society and helping to keep nations safe.

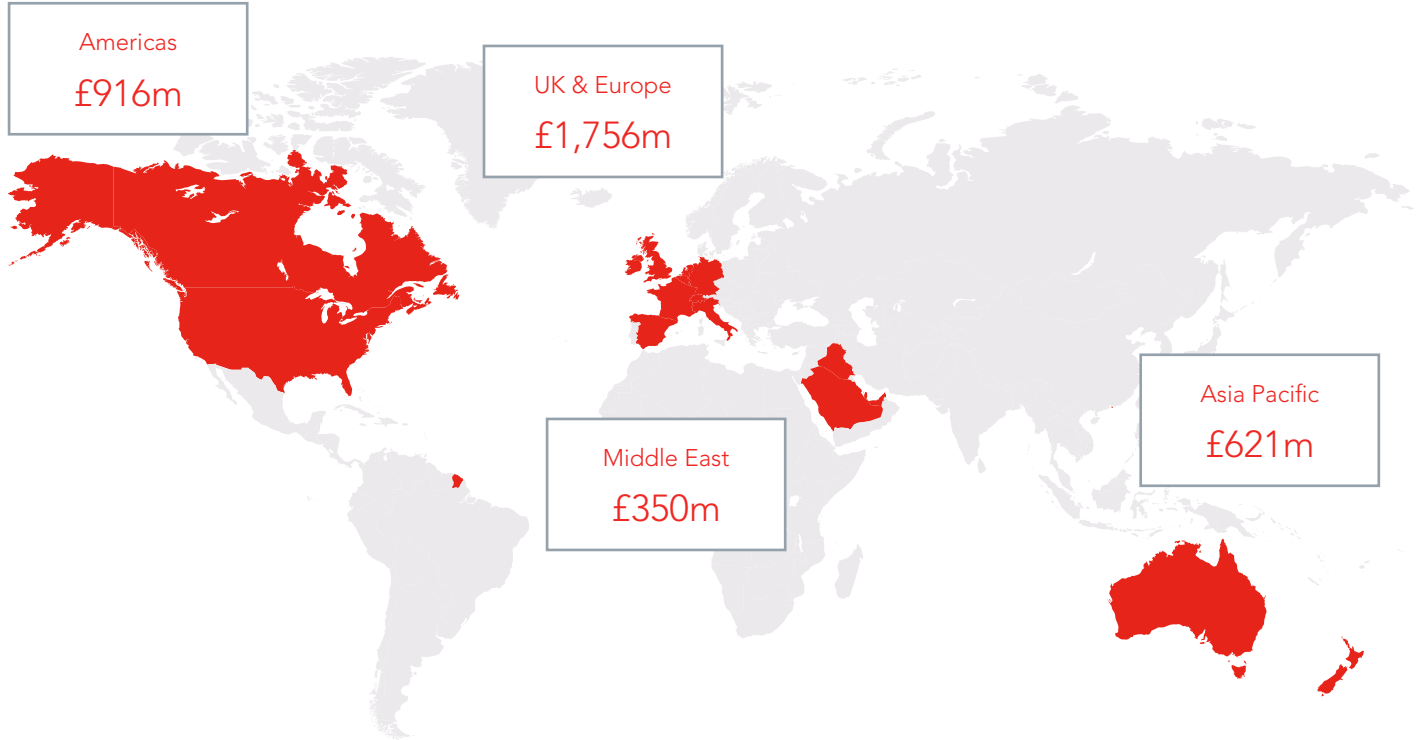
Our core sectors

Our business is focused across five core sectors, with revenue in 2019 of £3,248m or, including our share of joint ventures and associates to reflect our total scale in each sector, of £3,643m.



Where we operate

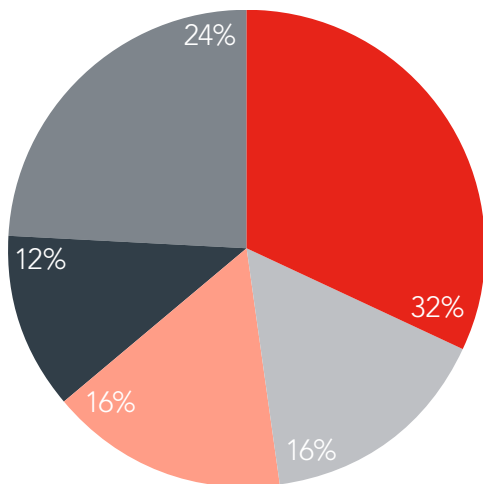
Serco's operations are across four geographic regions:



Revenue in 2019 (including share of joint ventures and associates).

Our business mix - Serco's revenue by sector and geographic division:

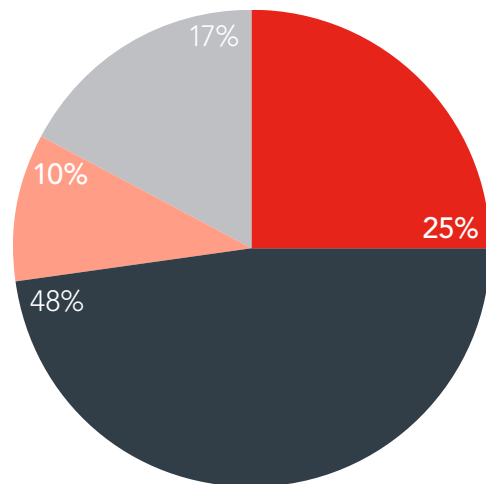
Revenue by Sector



Total revenue £3,643m

- Defence
- Justice & Immigration
- Transport
- Health
- Citizen Services

Revenue by Division



Total revenue £3,643m

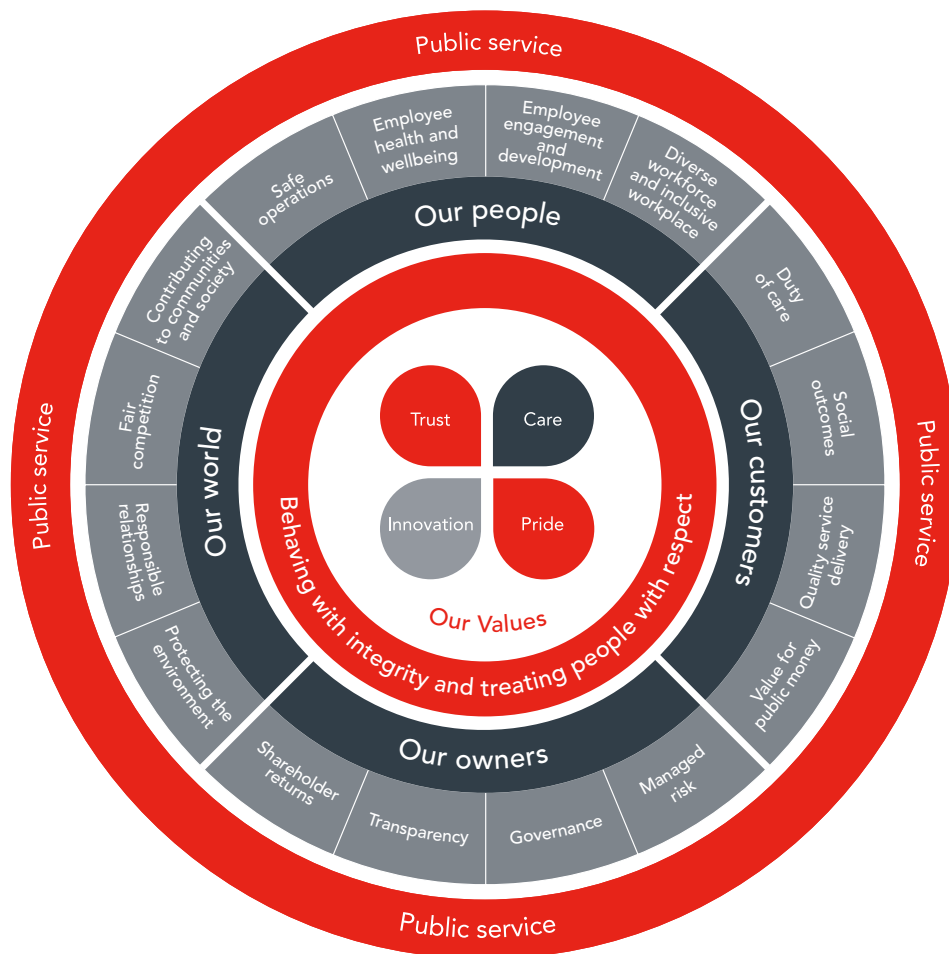
- Americas
- UK & Europe
- Middle East
- Asia Pacific

Revenue in 2019 (including share of joint ventures and associates).

Our corporate responsibility framework

In order to make the principles outlined in our introduction actionable and meaningful, we have a CR framework structured around our four core stakeholders: owners, customers, employees and the wider world.

This framework defines our principal areas of responsibility and sustainability and helps to guide practice and behaviour whilst facilitating measurement of performance. Our efforts are not limited to these items, but this is where we focus our attention and ambitions most closely. Each component in our framework represents a continuously improving system of people, projects and processes – managed by global teams and fulfilled by our employees.



Our Values: Our Values shape the way everyone in Serco works and behaves.

Behaving with integrity and treating people with respect: We operate morally and ethically, with respect for human rights.

Our customers: We understand the complex social challenges that shape our chosen markets and strive to help our customers address them. We are driven by our public service ethos to help our customers create positive and sustainable outcomes for society.

Our people: We are committed to enabling the development, wellbeing and safety of our people.

Our world: We strive to be responsible in how we manage our impact on the communities, economies and environments in which we operate – working to make a positive and sustainable difference wherever possible and limiting any other impact we may have.

Our owners: We are determined to protect our shareholders' interests and create long-term, sustainable value for them.

Public service: Everything we do is motivated by our desire to be a trusted partner of governments, delivering superb public services that transform outcomes and make a positive difference for our fellow citizens.

Our principal areas of responsibility and sustainability

To identify and prioritise our principal areas of responsibility and sustainability, and ensure they are appropriately embedded in our framework, we use an independent materiality assessment, aligned to external best practice sustainability principles, indices and frameworks¹ and based on:

- the material relevance of all potential sustainability issues to our business model, corporate strategy, Principal Risks and Key Performance Indicators; and
- the material importance of those issues for our business and operations as perceived and experienced by our key stakeholder groups (employees; shareholders; customers; communities and society; government and regulators; partners; and suppliers).

For example:

- **Protecting the environment:** Our impact and opportunity to create value from an environmental perspective varies in each market and is dependent on the nature of services we deliver and the level of operational control we hold at any given contract. More than two thirds of our operations are on our client sites where we do not always control the main environmental aspects, such as managing building services, energy and waste. It is on this basis that our assessment has been made. However, there are ways in which we can control and are working to reduce the environmental impact of our operations, such as robust environmental governance, measuring and managing supply chain impacts, reducing business travel and fostering positive environmental behaviours among employees;
- **Duty of care / Social outcomes:** The majority of the services we provide involve direct human interaction and care, such as patients in the hospitals where we provide healthcare support services, or offenders in the prisons where we provide rehabilitative psychological services, so not only is service user wellbeing important to us, it is integral to many of the services we provide.

Our 2019 materiality matrix



¹Including the Global Reporting Initiative (GRI) Standards, Dow Jones Sustainability Index (DJSI), the Sustainability Accounting Standards Board (SASB) guidelines and the UN Sustainable Development Goals (SDGs).

Our approach to reporting on our environmental, social and governance responsibilities

We strive to ensure that our reporting is as comprehensive and informative as possible, aligned to the principal interests of our key stakeholder groups, whilst holding ourselves to account for mitigating risks and driving meaningful improvements with transparency.

Our approach to reporting across our CR framework is determined not only by specific reporting obligations but also to provide insight into what matters most to our business and our stakeholders and to share the progress we are making in each area. This provides assurance that we are properly addressing our environmental, social and governance (ESG) responsibilities and communicating our position and performance across ESG criteria.

We recognise that, in common with most other public companies, we are on a journey as far as ESG reporting is concerned. The ESG landscape is evolving at a rapid rate, and we will work to keep our own reporting at a level which we believe is appropriate for our business and useful for our stakeholders.

This year, we have introduced the following new elements into our reporting:

- a simple guide to how our principal areas of responsibility align to ESG criteria and where we perceive that we are contributing to the United Nations Sustainable Development Goals (UN SDGs) (see below); and
- an overview of our approach to determining where we operate, what we do and who we serve (see pages 11 to 12).

We are also conducting a detailed review of the ESG reporting landscape as it applies to our business and stakeholders, which will inform the evolution of our reporting in the future, including targeted exploration of which external sustainability standards we report against. This will include consideration of the Global Reporting Initiative (GRI) standards and the Task Force on Climate-related Financial Disclosures, among others.

Our contribution to the United Nations Sustainable Development Goals

The UN SDGs are one of a number of initiatives and goals that help inform our thinking and approach. We recognise that positive relationships can be drawn between the majority of the UN SDGs, our operations and the action we take to deliver on our ESG commitments. For example:

- where we operate marine-based services, we are mindful of our impact on the seas and oceans, which contributes to UN SDG 14, 'Life below water';
- where we provide catering in our hospitals, we focus on meeting the specific nutritional needs of all patient care groups, reducing the risks of malnutrition and enhancing care outcomes, which contributes to UN SDG 2, 'Zero hunger'; and
- throughout our business, our local contributions to individual charities and communities support a multitude of causes that contribute to UN SDGs.

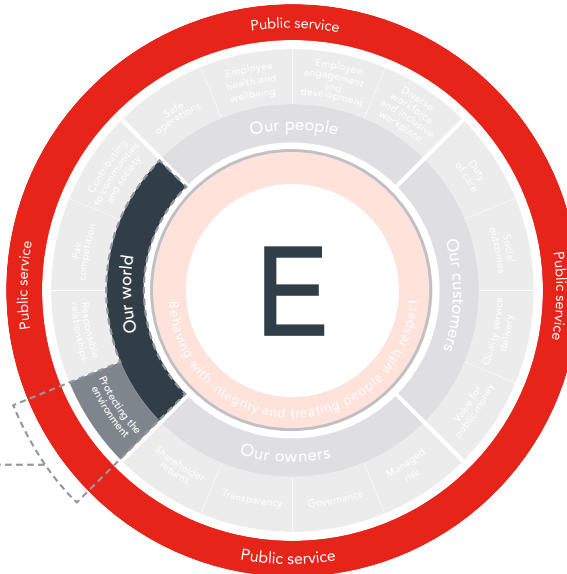
However, in order to most appropriately define the relationship between our work and the UN SDGs, we have chosen to highlight here those goals where we perceive that we are making contributions. All of these are underpinned by our Values and our commitment to behave with integrity and treat people with respect.

UN SDGs where we perceive that we are making contributions:

- **Goal 1.** End poverty in all its forms everywhere
- **Goal 3.** Ensure healthy lives and promote wellbeing for all at all ages
- **Goal 4.** Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all
- **Goal 5.** Achieve gender equality and empower all women and girls
- **Goal 8.** Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all
- **Goal 9.** Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation
- **Goal 10.** Reduce inequality within and among countries
- **Goal 11.** Make cities and human settlements inclusive, safe, resilient and sustainable
- **Goal 12.** Ensure sustainable consumption and production patterns
- **Goal 13.** Take urgent action to combat climate change and its impacts
- **Goal 16.** Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels

UN SDGs we contribute to through our commitment to limit our environmental impact

Our contribution is through limiting the impact of our operations on the environment through more sustainable business practice for our customers and wider stakeholders.

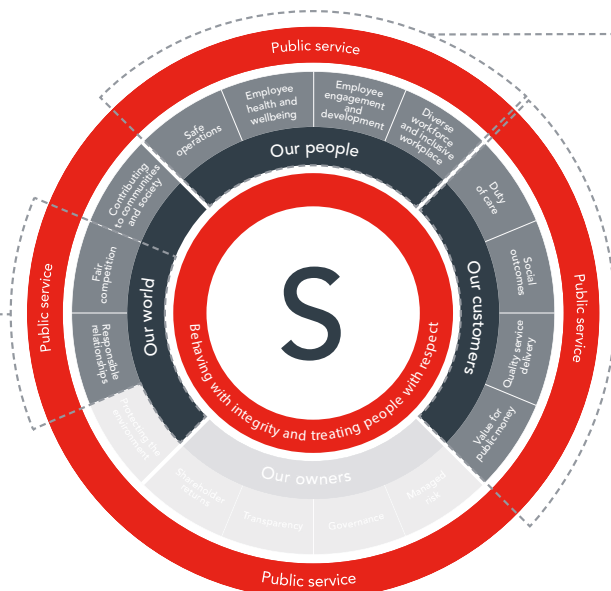


UN SDGs we contribute to as an employer

Our contribution is through how we attract, select, manage, develop and look after our employees, particularly through our focus on:

- the health, safety and wellbeing of our people;
- employee engagement and development; and
- building a diverse workforce and creating inclusive workplaces.

For additional information about our people and how we support and enable them, please see our People Report at www.serco.com/about/people-report.



UN SDGs we contribute to as a public service provider

Our contribution is through the services we provide to citizens and society, and how we provide them, particularly through our focus on:

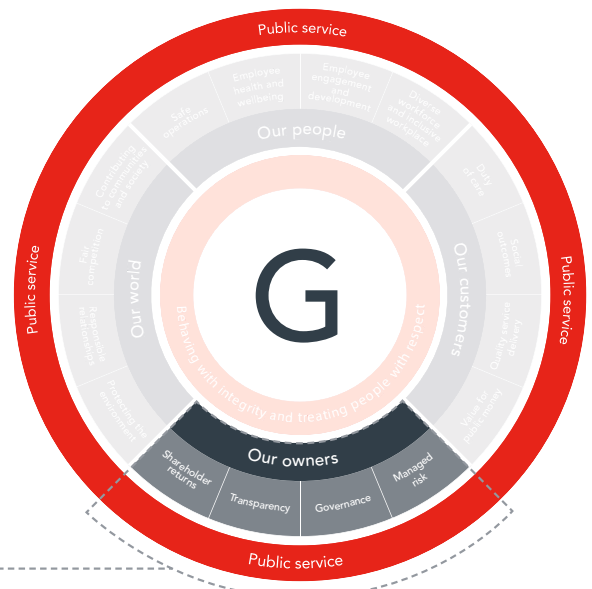
- the health, safety and wellbeing of the public and making a real difference to people's lives; and
- helping governments to raise standards of public service whilst enabling them to deliver better for less.



UN SDGs we contribute to as a participant in global industry, infrastructure and economy

Our contribution is through how we manage, grow and govern the business, particularly through our focus on:

- protecting stakeholder interests and creating long-term, sustainable value;
- effective and transparent direction, control and assurance of the business at all levels; and
- ethical standards and sustainability throughout the business and our supply chain.



Our corporate responsibility governance

Our key responsibilities are recognised within our business strategy, for which the Serco plc Board has ultimate responsibility. For matters relating to CR, Board oversight and scrutiny is enabled through its standing committee, the Corporate Responsibility Committee (CRC).

The CRC is responsible for assisting the Board in providing independent oversight and guidance as to the impact of the Company's CR framework and, based on this agreed framework, consider related strategy, policies and practices on how the Company conducts its business, through the lens of how the organisation lives and breathes its Values of Trust, Care, Innovation and Pride.

The Terms of Reference for the Committee are available at: www.serco.com/about/the-board-and-governance

The Committee is comprised of both Executive and Non-Executive Directors. Kirsty Bashforth is Chair of the CRC, commencing in that role as of 1 January 2019. The CRC met three times in 2019.

Members of the CRC are responsible for promoting our approach to CR and its effective implementation across the Group. This is agreed with the Executive Committee, which oversees its implementation.

Elements within the CR framework have designated Group Leads, responsible for engaging with Divisional Chief Executive Officers (CEOs) to develop strategy, objectives and performance indicators, and monitoring and reporting performance to the Executive Committee and CRC.

Each Divisional Executive Management Team (EMT) incorporates appropriate elements into their operational and strategic plans. Delivery and performance are reported to Divisional EMTs and Group Leads for review, consolidation and Group reporting. Each Division also has a CR lead nominated by the Divisional EMT. For 2019, the Divisional CR leads were:

- Alan Hill, Senior Vice President, Corporate Communications & Government Relations, Serco Americas
- Tim Evans, Director of Corporate Affairs, Serco Asia Pacific
- Laura Kelly, Assurance Director, Serco Middle East
- Greg Nicoll, Commercial Director, Serco UK & Europe

For details of CRC membership, activity undertaken in 2019 and activity planned for 2020, please see the CRC Report in our Annual Report (pages 120 to 121).

Our approach to determining where we operate, what we do and who we serve

We support governments in delivering their public policy commitments, often in very sensitive areas. Our role is to deliver specific elements of those policies in the most effective, efficient and caring manner, working with our customers to maximise the value generated for society, in whose best interest those policies are developed.

Everything we do is motivated by our desire to be a trusted partner of governments, delivering superb public services that transform outcomes and make a positive difference for our fellow citizens. However, what we do – including where and how and who we serve – is also carefully governed by Serco – approached with conscience, caution and with uncompromising adherence to our Values and commitment to behave with integrity and treat people with respect.

We work to identify, create and earn business opportunities where we believe we can achieve an optimal balance of sustainable value creation for our stakeholders. Our potential involvement in activities on behalf of our customers is subjected to a rigorous process of review and qualification which seeks to enable transparent and well-informed decision-making, and seeks to ensure compliance with our strategy, Policies and Standards. It also aims to ensure due consideration of salient adverse impact risks, including those from environmental, social and governance (ESG) perspectives.

Our Business Lifecycle

Embedded within the Serco Management System (SMS) is our Business Lifecycle, which describes the core processes that apply throughout every business activity, from the identification of geographies and markets, business development and bidding, through operations and eventual closure of our contracts.

The Serco Business Lifecycle constitutes several stages which follow the maturity of any business opportunity, controlled through a series of ten mandatory governance Gates (Gates 0-9). Each Gate Review represents a key decision point and requires formal assessment and approval by senior management.

A set of governance themes is considered in Gate Reviews, including: material legal, ethical and human rights risks; health, safety and environment risks; and other salient adverse impact risks from an ESG perspective.

The requirements and spirit of the SMS must be met, including Policies, Standards and controls relevant to management of our principal areas of ESG responsibility and sustainability. A business opportunity that cannot satisfy such criteria will not be pursued.

Our Business Lifecycle decision-making governance

Our Business Lifecycle is supported by a robust governance framework and Delegated Authority Matrix which prescribes the level of oversight and approvals required.

Divisional Chief Executives establish a Business Lifecycle Review Team (BLR Team) to review opportunities. The BLR Team provides direction for each opportunity whilst ensuring appropriate governance and Gate authorisation throughout its lifecycle. BLR Teams are led by Divisional Chief Executives and comprise business and functional specialists whose collective experience and expertise seeks to ensure the opportunity is directed to an appropriate outcome, which includes ensuring compliance with Gate governance in accordance with the SMS.

Divisional Executive Management Teams provide oversight of the Business Lifecycle at the Divisional level. BLR Teams are responsible for determining whether a decision exceeds their Limits of Authority and requires scrutiny and oversight by the Investment Committee and/or the Serco Group plc Board.

The Investment Committee comprises the Group Chief Executive, the Group Chief Financial Officer, the Group General Counsel and Company Secretary and other members of the management team. It acts on behalf of the Board to review, monitor and approve bids, mergers, acquisitions and disposals and other corporate activity within specific authority limits delegated by the Board.

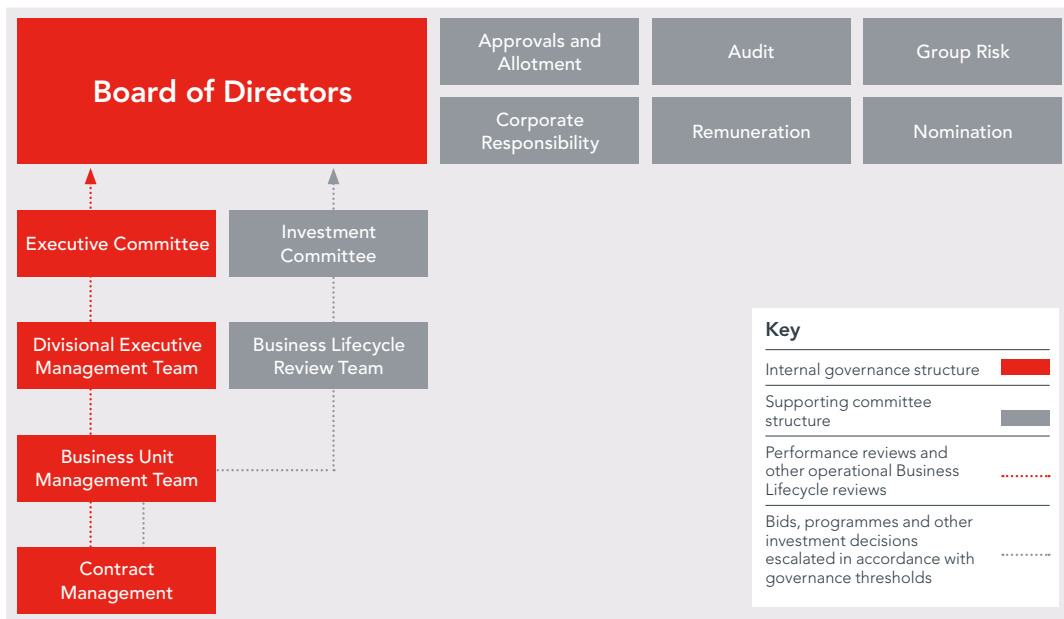
Any decision exceeding the authority of the Investment Committee requires Serco Group plc Board review and approval.

Our Business Lifecycle decision-making tools

The SMS features several tools which directly support Business Lifecycle decision-making. These include:

- **Our New Country Due Diligence guidance** – which prescribes the extent and depth of due diligence required for entry into a new country based on a range of service, customer and geographical criteria.
- **Our Human Rights Standard and supporting Human Rights Decision Tree procedure** – which describes and enables the identification and assessment of any actual or potential Adverse Human Rights Impacts in which Serco might be or become involved, either through its own activities or business relationships.
- **Our Third Party Due Diligence processes and controls** – which apply to customers, suppliers, agents and other third parties, and mergers and acquisitions, and enable assessment of whether a third party relationship will increase our exposure to ethical and legal liability.

Our Business Lifecycle decision-making governance structure



Rebids, extensions and material contract variations

Decisions made are revisited at natural intervals in the contract lifecycle. Rebids, extensions and material contract variations are approached in the same way as new business opportunities.

Doing the right thing across a complex global ecosystem of stakeholder dynamics

We are proud of our involvement in the delivery of complex government policy – for example: running prisons to reduce reoffending, supporting individuals seeking asylum through housing and community integration, and strengthening the fulfilment of the UK Government’s nuclear defence policy through our interest in AWE. We believe we have the right combination of experience, expertise and ethos to provide our customers the support they need to fulfil their missions – all of which are considered vital to the sustainable wellbeing of the nations they serve and, in some cases, global society – in areas defined by delicate and constantly shifting stakeholder dynamics.

Doing our job well requires us to balance diverse stakeholder interests. Doing the right thing across a complex global ecosystem of stakeholders is not always comfortable or popular, but it is seeking to deliver consistently and with quality, holding ourselves to account, standing by our Values and heeding our lessons that most clearly defines us today. We continually challenge ourselves to make sure we understand and provide appropriately for what matters most regarding our role in society, the impact that we have and the value we create. We know we work in many difficult areas and we focus on trying to do it well, with respect and with fairness.

In deciding what types of work we should or should not do and where we might do it, we take into account many issues including ESG considerations. There are some countries where the risks are unacceptable, so we decide not to do business or certain types of business in those countries. Even where there are areas in which democratically elected Governments have decided something is acceptable, we may decide that we are uncomfortable doing that particular type of work and do not believe it is in accordance with our Values. There are a number of examples of types of business opportunities in countries and sectors where we have been unable to get ourselves comfortable. In those cases, we have not bid and refused opportunities on ethical grounds or set conditions that would have allowed us to be comfortable that ethical issues would be dealt with, but that have not been accepted by the potential customer. We will continue to do the same in the future.

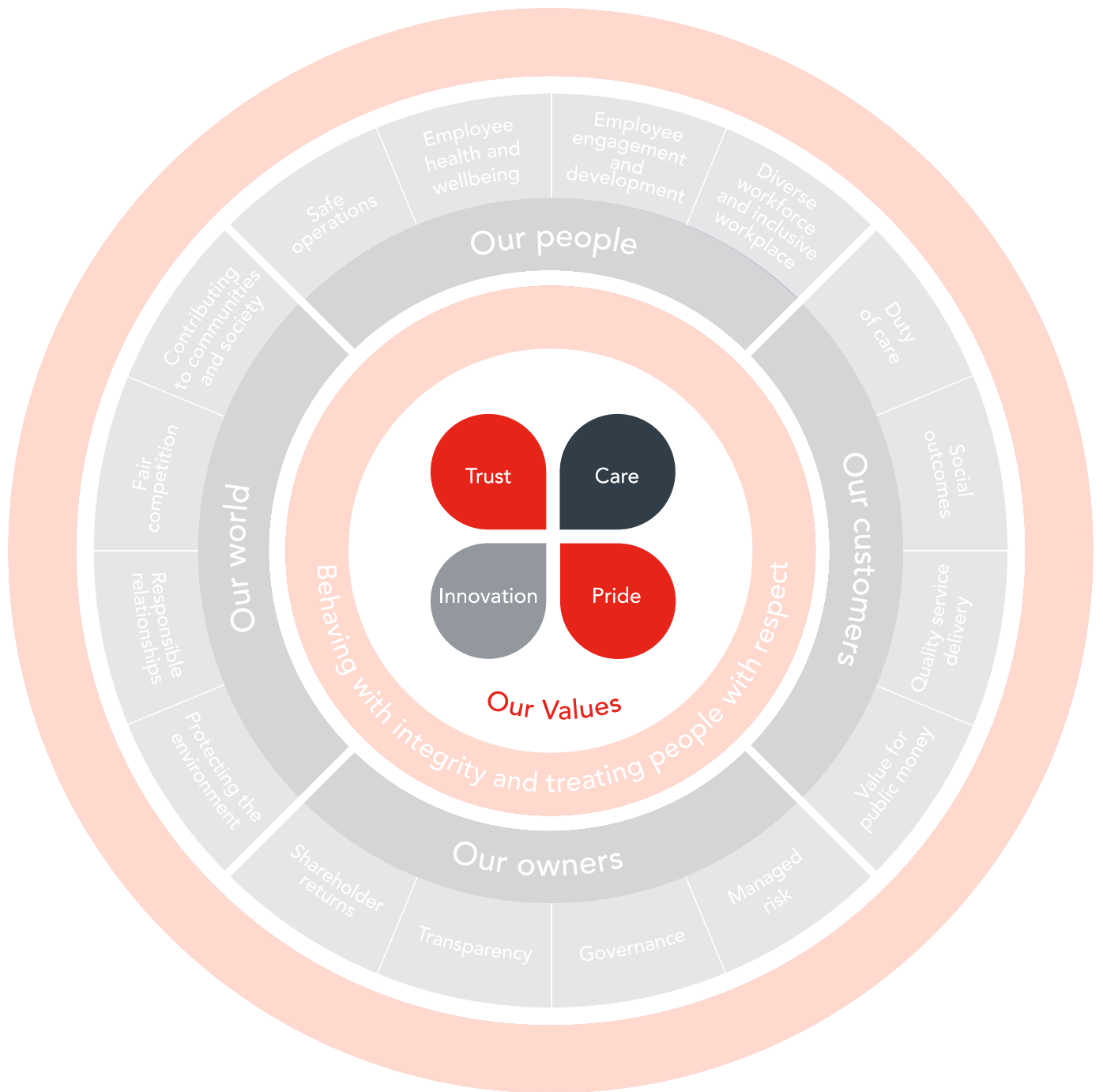
Our involvement in the UK Atomic Weapons Establishment (AWE)

One area of our work which some stakeholders find challenging is our involvement with AWE, where we oversee maintenance of the UK’s nuclear warhead arsenal. Nobody could be involved in this work without asking themselves questions around the ethics of working on nuclear warheads. The reason why we are proud to be part of the AWE operation is that the UK’s possession of nuclear weapons has been an established part of the country’s defence policy for decades; it has had the support of every Government elected since 1945; it has been repeatedly shown to have the support of the majority of people in the UK; and we believe that we can and do contribute to the safety and efficiency of AWE. We understand that some people may object to our involvement in this area, but we believe it is appropriate for our Company to work with our largest customer on its most important strategic programme.

Serco corporate responsibility report 2019



Our Values



Our Values

Our Values – Trust, Care, Innovation and Pride – are the foundation of our culture, shaping our individual behaviours and hence the way the Company behaves. They help to ensure we are working from a commonly understood base that can be consistently applied across our organisation.

Our Values need to be lived every day, helping us work through any challenges we may face whilst recognising and celebrating our achievements. They guide us in our dealings with colleagues, customers, suppliers, partners, shareholders and the communities we serve.

Our Values are incorporated into the Serco Management System and our Code of Conduct, as well as other channels, publications and resources. For example:

- Our annual employee engagement survey, Viewpoint, and our premier programme of employee recognition, the Pulse Awards, are aligned to our Values, enabling us to measure Values-based engagement and celebrate Values-based behaviour.
- Our Values are integrated into our Code of Conduct, Leadership Model and annual Performance and Development Review process, enabling us to clearly define our expectations of Values-based behaviour and ensure they are met. Our bonus payment 'Values Gate' enables us to reward performance aligned to our Values.
- Our Values are also incorporated into our approach to recruitment, enabling us to recruit people who share our desire to make a positive difference and have the capacity and commitment to deliver the services our customers expect.

Alongside our global ethics helpline and investigation process, Speak Up, these elements also enable us to regularly assess and reinforce our culture.

Our progress

We have:

- continued to embed our Values through our operating procedures and reinforce them through employee communications, recognition schemes and engagement initiatives at all other levels; and
- continued to ensure that our Values shape our policies, standards and procedures within the SMS as it goes through its regular review cycle.

Our 2019 employee engagement survey results indicate that employee perceptions of our Values have improved by 1pt.

Performance indicators		2018	2019
Employee engagement: Our Values	Avg. score	81	82

For all CR performance data and commentary, see: [Corporate Responsibility Performance Indicators](#) (page 78)

Our next steps

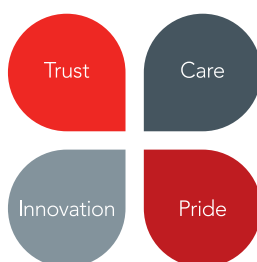
We plan to continue reinforcing and promoting our Values throughout the business whilst monitoring employee understanding and perceptions of how well they are lived – responding with appropriate interventions as required.

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.

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.



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.

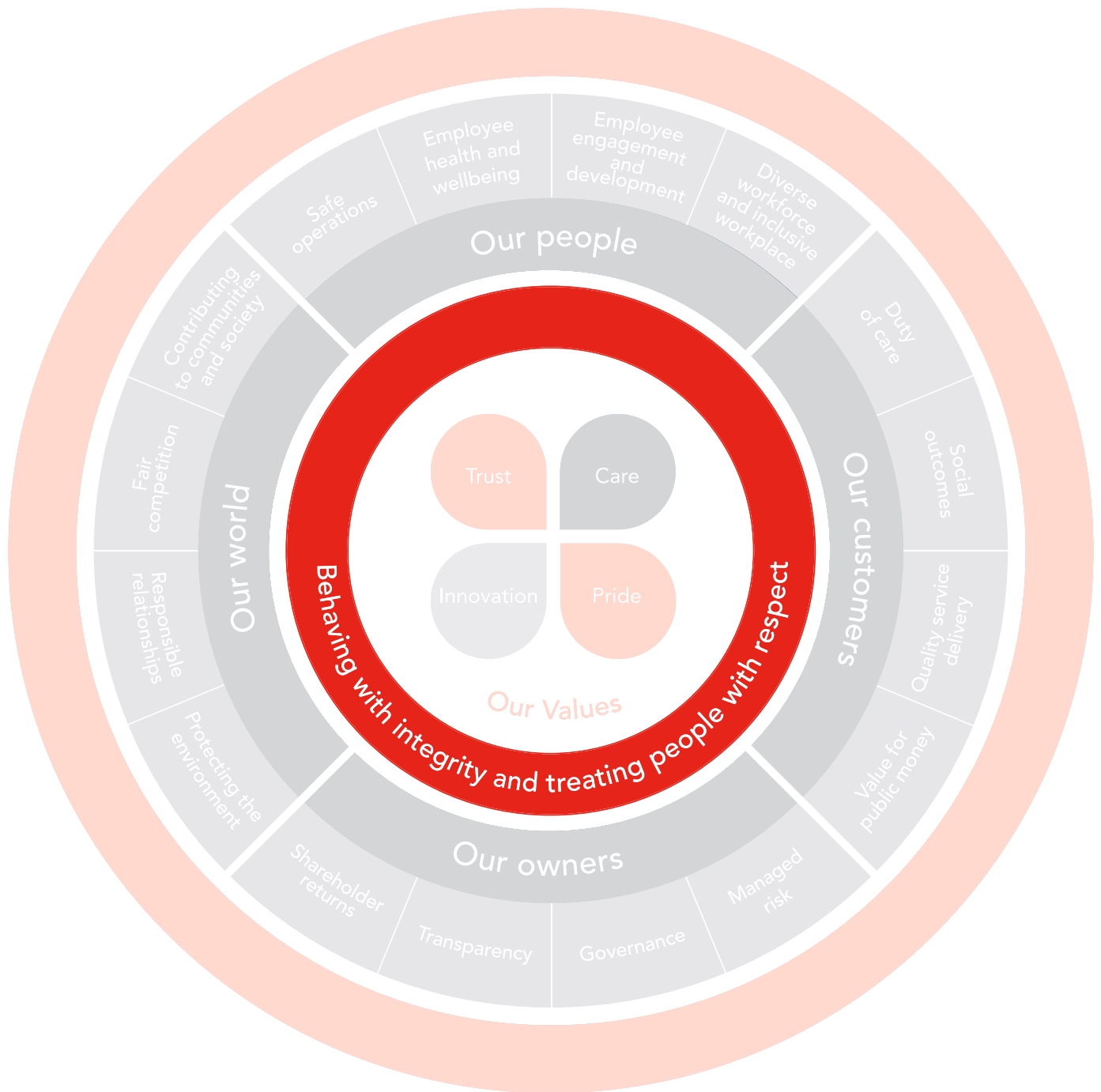
Pride – We want to be proud of what we do.

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.

Serco corporate responsibility report 2019



Behaving with integrity and treating people with respect



Behaving with integrity and treating people with respect

What behaving with integrity and treating people with respect means to us

Across all our regions, we strive to behave with integrity and treat people with respect, within the bounds of expected individual and corporate behaviour, with regard for relevant laws and regulatory requirements, with sensitivity to local cultures and with respect for human rights.

Our policy and commitment

Corporations should not be arbiters of morals and ethics; however, they can set standards of behaviour for themselves, and in our case these are reflected in our Values of Trust, Care, Innovation and Pride.

It is inevitable in any company employing more than 50,000 people that from time to time individuals or small groups behave inappropriately. Our task is to give people a framework and a clear understanding of our Values to minimise the risk of them going outside those boundaries, and also to have a comprehensive and effective compliance and reporting system so that if they do, we find out about it quickly.

Our commitment to business ethics and human rights is defined within our Ethics Compliance strategy, Business Conduct and Ethics Policy Statement, supporting standards and related operating procedures.

In summary, we:

- have zero tolerance for corruption and any activities that break any law relating to human rights, either directly or indirectly, anywhere in the world;
- will not engage in or approve any form of bribery; and will take disciplinary action, and issue criminal proceedings where appropriate, if an employee participates in or condones any irregular payment or payment in kind;
- will not engage in any form of human trafficking or use forced, bonded, illegal or child labour, nor knowingly work with anyone who does; this commitment recognises all applicable modern slavery legislation;
- use international human rights standards as a framework to assess, monitor, mitigate and remedy any actual or potential adverse human rights impacts (AHRIs) that may affect our business;
- provide guidance and support to all employees to help them identify, manage and respond to any risk or issue;
- maintain confidential reporting resources for anyone concerned about violations of our Values, policies or Code, whilst ensuring there is no need for them to fear the consequences of doing so; and strive to
- record and report information about our business accurately, honestly and transparently.

Our Group Slavery and Human Trafficking Statement 2019 is available at www.serco.com/slaverystatement

Key components in our governance

- Our Corporate Responsibility Committee (CRC) provides formal oversight of our Ethics Compliance strategy and its effective delivery against agreed objectives and targets. The CRC, Executive Committee and Divisional Executive Management Teams (EMTs) review quarterly operational and strategic performance reports.
- The CRC retains time at the end of each meeting to meet separately without management present and invites one of the Divisional Ethics Leads to attend for part of this session. The Committee also meets privately with the Group Director of Business Compliance and Ethics.
- Our Group Director of Business Compliance and Ethics is responsible for Ethics Compliance strategy design, management and execution and the development and maintenance of associated policy and governance. The Group Director of Business Compliance and Ethics also chairs the Group Ethics and Speak Up Oversight Group (including Divisional Ethics Leads), which meets regularly to discuss strategic and operational performance and share best practice.
- Divisional EMTs are responsible for appropriate Divisional adherence to policy and standards and managing associated risks, while Divisional Ethics Leads are responsible for implementing policy, strategy and governance across the Division.
- Depending on the context and scale of any ethical dilemmas or suspected AHRIs, our position will be determined by Divisional EMTs, the Executive Committee, Investment Committee or plc Board.
- Our Business Lifecycle governance process seeks to enable due diligence, review and oversight of related risks throughout bidding and operations.
- Our Human Rights Assessment and Decision Tree enables us to evaluate any AHRI caused or contributed to by our operations or linked to them through our business partners and related third parties.
- Our global ethics helpline and investigation process, Speak Up, is available to all employees, supported by an online case management system provided by an independent third party.

Our progress

We have continued to drive our Ethics Compliance agenda, including human rights, with focus and resolve:

- evolving our Group Ethics Compliance framework and strategy to provide a more standardised, structured blueprint for future evolution and impact;
- strengthening Ethics Compliance leadership and capability at Divisional levels by:
 - » updating and standardising organisational structures and roles;
 - » undertaking a programme of professional certification; five out of eight Ethics Compliance Leads are now CCEP-I certified – the remainder to complete in 2020;
- developing a real-time Ethics Compliance dashboard for more consistent and responsive monitoring;
- conducting a Group-wide review of our global ethics helpline and investigation process, Speak Up, to inform improvement plans;
- strengthening our compliance assurance, including:
 - » increased focus on critical controls within the Serco Management System (SMS) and SMS Self-Assessments;
 - » reporting changes to bring greater focus to the closure of actions and overdue actions from SMS Self-Assessments and Compliance Assurance Reviews; and
- reviewing and updating policies and procedures to ensure compliance with the Australian Modern Slavery Act (2018) and Whistleblower Reform (2019).

Performance indicators		2018	2019
Employee engagement: Business integrity	Avg. score	73	75
Upheld cases of corrupt behaviour	Number	0	0
Upheld cases of human rights violations	Number	0	0
Speak up: cases closed (substantiation rate)	Number (%)	498 (40%)	454 (37%)

For all CR performance data and commentary, see: **Corporate Responsibility Performance Indicators** (page 78)

Our next steps

To deepen our global Ethics Compliance maturity and overall capability, we plan to:

- drive greater coherency and collaboration by replicating our UK ‘Values and Integrity Network’ in every Division;
- launch enhanced training for the Board, Executive Committee and Divisional Executive Management Teams, including at our annual leadership conferences;
- enhance Board and Executive oversight and challenge for Ethics Compliance, including:
 - » annual reporting by Divisional Ethics Compliance and Compliance Assurance Leads to the CR Committee and Risk Committee respectively without Executive Management present;
 - » annual review of Ethics Compliance and compliance assurance governance and capability, Three Lines of Defence, and reporting of findings to the CR, Risk and Audit Committees of the Board;
 - » the continued evolution of the CR Committee of the Board with a principle focus on holding the organisation firmly to its Values and standards of behaviour, with particular emphasis on our principal areas of social responsibility: our people, our world and our commitment to behave with integrity and treat people with respect;
- ensure coverage of this area as part of the wider Compliance Assurance Programme to deliver the following benefits:
 - » standardised approach and testing of critical controls across the Group;
 - » development of assurance maps mapping the Three Lines of Defence;
 - » assurance reporting improvements to align and support integration with Enterprise Risk Management (ERM);
- incorporate within relevant Internal Audits, tests of the design and operating effectiveness of controls established by management to ensure compliance with Serco’s Ethics Compliance requirements;
- deliver a consistent approach to the assessment of Ethics Compliance risks in line with our ERM framework; and
- act on the findings of our Speak Up review and further strengthen our Speak Up oversight and investigations capability, and improve communications and awareness.

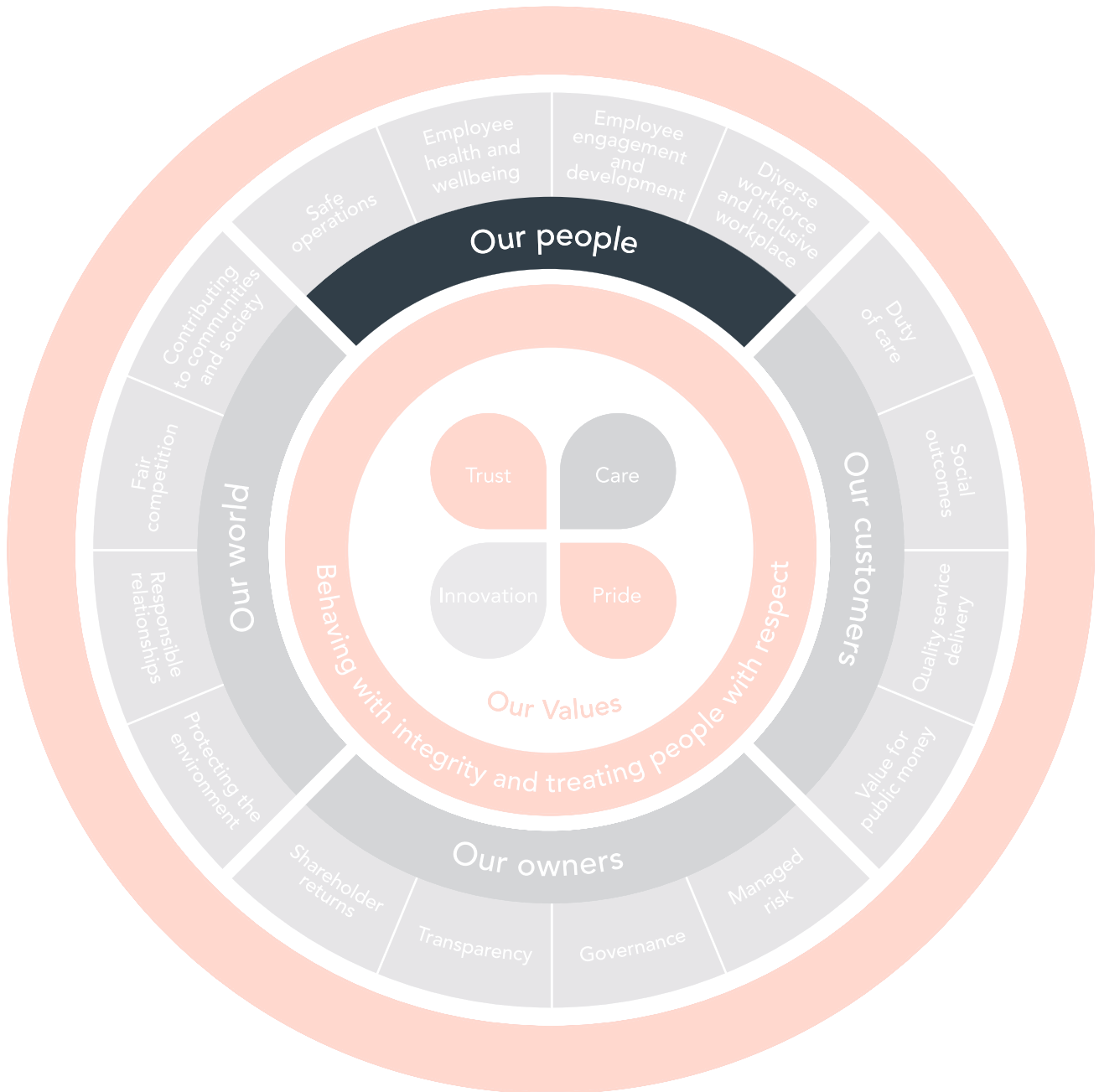
For items relating to fair competition and conflicts of interest, see: **Fair competition** (page 54)

For items relating to third parties, see: **Responsible relationships** (page 56)

Serco corporate responsibility report 2019



Our People



For more information about where we perceive that we are contributing to the UN Sustainable Development Goals, see pages 8 to 9.

Our people

We are a team of more than 50,000 people responsible for delivering essential public services around the world. Our people are the individuals and teams we depend on to deliver those services. Whether they have joined Serco through choice or transfer of operations, they have all chosen a career in public service.

Whilst the majority are Serco employees, our people can also include temporary and contract colleagues, helping us to manoeuvre with pace and flexibility wherever and whenever we need to.

At the same time, not all Serco employees will wear Serco uniforms. Some of our arrangements with specific customers or partners require our people to represent alternative organisations or our customers themselves.

Regardless of how they are employed and the uniforms they wear, all are integral to our team and aim to make a difference every day to the lives of the citizens they support. They share our Values, our public sector ethos and our commitment to serve. For many, like Serco itself, that ethos originates in a strong public sector background with a deep foundation of knowledge and experience.

Everyone at Serco plays a critical role, whether directing strategy, working side-by-side with our customers or engaging face-to-face with our service users. Our people are all specialists in their roles, whether executive directors or team leaders, business support (such as personal assistants, bid writers or software developers) or frontline operations (such as psychologists, engineers, prison custody officers, lifeguards or caterers).

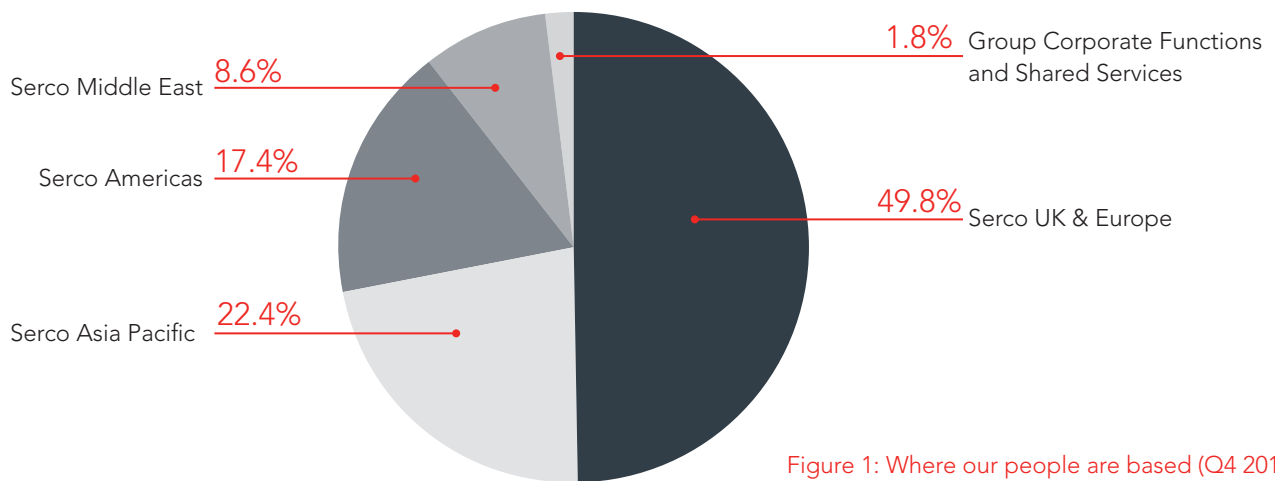


Figure 1: Where our people are based (Q4 2019)
(Excludes joint ventures)

Our workforce is vibrant, diverse and dynamic – drawn primarily from the communities in which we operate and reflective of the communities we serve. We prioritise local employment in our workforce solutions whilst leveraging our globally mobile talent and being sensitive to local customs, constraints and customer requirements.

We actively manage our employee relationships through open, honest dialogue at all levels. Effective leadership and line management are our principal means of engagement. Building trust and relationships and communicating effectively are key competencies in our Leadership Model. We also invite employee feedback via: Viewpoint, our employee engagement survey; Speak Up, our global ethics helpline and investigation process; Yammer, our internal social media platform; and Colleague ConneXions, our approach to amplifying employee voice and strengthening dialogue between the Board and all employees. We also maintain various employee-led networks and strong relationships with our recognised trade unions.

Our people are united in their drive to make a positive difference. They are proud of who they are and what they do. It is our responsibility to engage, enable and support them. First and foremost, this means upholding our Values and policies; respecting and supporting individual needs and differences; providing necessary training and opportunities for development; encouraging and responding positively to their ideas and opinions; and safeguarding their wellbeing.

Our People Report

Our people are very proud of all that they do, and we are very proud of them. In 2019 we published our first People Report, with an ambition to publish it annually, highlighting the work of our frontline colleagues and providing insights into their motivations. The report also sets out our ambition for making Serco a great place to work and the steps we are taking to achieve this.

In the People Report, we explore how our people support and enable patient care in hospitals and we hear from our employees about how they make a difference for asylum seekers and ex-offenders in the UK, military personnel in the US, aspiring air traffic controllers in Iraq, and disadvantaged members of the public in Australia. Men and women around the world of Serco share their experiences of inclusive support, development and career opportunities for all, including our LGBT+ colleagues, those with disabilities and all cultural backgrounds. We also explore what we are doing to promote and support wellbeing for all – working to keep our people healthy, fit and thriving whether on the streets, in our call centres, returning to work after parental leave or living and working for Serco thousands of miles from home.

To read our People Report, please visit: www.serco.com/about/people-report

CR in action at Serco

Beyond this report, our organisation is alive with leadership and action. Each component in our framework represents a continuously improving system of people, projects and processes – managed by global teams and fulfilled by our employees. Here we share headline examples of how our people have brought our commitments to life in the last 18 months.

To find out more, please visit: www.serco.com/about/corporate-responsibility/case-studies

Building frontline capability to have challenging conversations about mental health

We have created a bespoke four-part experiential development programme for our frontline team leaders: 'Experience the Best'. Integrating contemporary mental health and wellbeing practices with practical coaching, the programme uses actors to demonstrate and teach communication skills. The programme focuses on building positive relationships whilst fostering an inclusive workplace culture and psychological safety. In addition to immediate positive operational outcomes, team leaders participating in the programme have recognised growth in their communication and coaching capabilities.

Inspiring a dynamic culture of wellbeing through our Serco Wellness programme.

To support a widely dispersed North American workforce (based in locations as far away as Hawaii and Goose Bay, Canada), our Serco Americas Division launched 'Serco Wellness' to inspire and harness employees' own drive and determination to improve their circumstances, promoting a shared culture of proactive wellbeing by encouraging personal wellbeing agendas. Serco Wellness comprises a range of different initiatives, including monthly tasks and contests, nomination-based achievement awards and 'Serco Babies' care packages for new parents.

Using Virtual Reality (VR) technology to enhance training and improve safety for the Dubai Tram.

We have created a new VR training solution for our Dubai Tram drivers to enhance training and improve network safety. By supplementing traditional training with immersive and interactive simulated learning experience, we are helping our drivers to increase their competency and confidence before they continue their training out on the network. The VR training also helps staff returning from leave to refamiliarise with the network and learn about any changes made during their absence.

Training our team of FRS firefighters at King Fahd International Airport to an internationally accredited standard.

In the Kingdom of Saudi Arabia (KSA), we provide fire and rescue services (FRS) at King Fahd International Airport (KFIA). Under the contract, we are required to employ, upskill and certify the existing workforce all whilst maintaining full contractual and operational commitments. With support from the Serco-operated International Fire Training Centre (IFTC) and a partnership with the Fire Science Academy (FSA), several cohorts of our new FRS colleagues have already achieved certification to an internationally accredited professional standard.

Improving everyday safety in every workplace through our new 'high-visibility' safety campaign.

We are constantly seeking out new ways to eliminate or mitigate the causes of safety incidents and work-related injuries, including the everyday accidents that can happen in any workplace environment. Working with health and safety specialists and our frontline colleagues, we have developed a new 'high-visibility' safety awareness campaign: visually striking workplace safety resources covering a wide range of everyday risks. We have also ensured that the campaign is personal, engaging and internationally applicable.

Improving team health, wellbeing and performance through our Fit For Life – Park Athlete programme.

We have developed a new health and wellbeing initiative for our employees who work in Melbourne, Australia maintaining the City's green spaces and iconic sites. The six-month 'Fit For Life – Park Athlete' programme provides holistic conditioning designed to improve team wellbeing and performance, based on the same principles that underpin elite sport and fitness training programmes. The positive impact on participants has been significant, including reduced blood pressure, increased endurance and improved workplace engagement.

Keeping our people safe on the streets with Serco Respect and Protect.

In 2019, we launched our 'Respect and Protect' campaign for our people delivering frontline local services around the UK. Developed and agreed with employees and customers, as well as trade unions and the Police, our new 'Charter of Protection' addresses difficult encounters that may occur with members of the public. We aim to raise awareness and understanding of the challenges whilst reducing the number of incidents – providing a framework for identifying, preventing and managing these risks.

Creating unique specialist training and career progression opportunities through international collaboration with Serco Marine Services.

During 2018-2019, Darwin-based Alicia Pollock participated in a collaborative programme of tugboat training organised by our UK and Australian Marine Services teams, who serve the Royal Navy and Royal Australian Navy, respectively. Alicia became one of only a few specialist female tug operators in Australia following a two-week accreditation, then spent five weeks training in the UK at Her Majesty's Naval Bases Portsmouth and Devonport, before receiving her certificate from Second Sea Lord, Vice Admiral Nick Hine CB.

Cultivating community spirit and wellbeing in Serco Middle East with Serco Sports.

In the Middle East, we are committed to supporting our employees in maintaining a vibrant and dynamic community culture. The Serco Middle East cultural calendar is always alive with engaging events, but of all recreational pursuits, none strike such a compelling chord as Serco Sports. Today there are twenty-nine teams or badminton pairs competing from sixteen different sites. League finals are always a huge occasion and sports news is a popular fixture in Divisional communications.

Equipping our operational leaders in North America with essential knowledge and resources at our 'Program Manager Plus Boot Camp'.

At the heart of delivering our services in North America are our Program Managers (who manage and lead our contracts for our customers). In recent years, we have increased our focus on supporting and developing them, which has included our 'Program Manager PLUS' Bootcamp. The Bootcamp is a week-long intensive technical training programme, providing the foundation of knowledge to manage our operations. Since its launch the programme has successfully trained 80 participants, of whom 52% have been female.

Celebrating and inspiring career progression at the Dubai Metro with our Track to Success programme.

In 2019, we launched a new career development programme for our Dubai Metro employees, Track to Success. The programme is a new approach to engaging our people in personal dialogue about career progression. Hosted by members of our executive and management teams, Track to Success is an informal, optional workshop in which participants discuss useful tips, like networking, building personal brand and creating development plans, and consider career 'success stories' from other colleagues.

Identifying and developing our leaders of the future with the new Serco Global Graduate Programme.

We welcomed our first graduate cohorts into our UK & Europe and Asia Pacific Divisions in September and January, respectively. Aimed at identifying and developing our leaders of the future, the new Serco Global Graduate Programme provides a unique opportunity for graduates from diverse backgrounds to gain hands-on experience in business management. Each cohort is now in the first of three eight-month rotations – learning and gaining valuable skills and experience, supported by dedicated onsite placement managers.

Celebrating diversity and supporting our LGBT+ community at Pride 2019 in the US and UK.

In a unified showing of support for our diverse workforce, we took part in the 2019 Washington DC Capital Pride Festival. Dave Dacquino, Chief Executive for Serco Americas, engaged with the crowd and spoke with potential candidates about Serco's culture and career opportunities. Meanwhile, in the UK we returned to the London and Manchester Pride Parades with more of our LGBT+ colleagues and their allies, joined by Anthony Kirby, Group HR Director, and Kevin Craven, Chief Executive for Serco UK & Europe, plus a Serco branded truck and DJ.

Celebrating our female Emirati staff and creating more opportunities for their employment and development.

In 2019, Serco Middle East hosted an event for our female Emirati employees to mark Emirati Women's Day, showcasing their achievements and contributing to celebrations taking place throughout the UAE. As part of our commitment to offer additional support to our female staff, we have developed our Muwazana programme, offering part-time employment for UAE nationals who are looking to balance work, studies and family commitments whilst contributing to the business and enhancing their professional development.

Building, developing and maintaining a workforce that represents equal opportunity for all at the National Disability Insurance Scheme in Australia.

In 2018, we were engaged to provide contact centre services for the National Disability Insurance Agency, Australia. We were required to recruit several hundred employees, including a significant percentage who identify as having a disability. Our aim was to create workplaces where diversity is valued and inclusion defines the employee experience. Today, 18% of employees identify as having a disability. To achieve this, our team had to design and adopt totally new approaches for every step in the process, from attraction and assessment to training and beyond.

Celebrating National Inclusion Week and empowering our employee networks with the Serco Inclusion Hub.

To enable our employee networks to grow and have a confident voice to talk externally, we have created a single online environment, the Inclusion Hub, where each network can be their own unique community but also benefit from collective coordination and collaboration. Launched during UK National Inclusion Week 2019, the Inclusion Hub supports all employee networks by enabling improved objective setting and progress tracking, better organisation of engagement activities and providing a central repository for knowledge and resources.

Facilitating dialogue across national industry on common diversity and inclusion challenges with the Whitehall & Industry Group.

We were delighted to co-host the 2019 Whitehall & Industry Group (www.wig.co.uk) Diversity and Inclusion Conference in November. The conference brought together 250 practitioners from WIG's 230+ member organisations and beyond, spanning the private, public and not-for-profit sectors as well as academic institutions. The day focused on three key aspects of inclusion – identity, ability and culture – and featured contributions from Anthony Kirby, Serco Group HR Director, and Kevin Craven, Chief Executive for Serco UK & Europe.

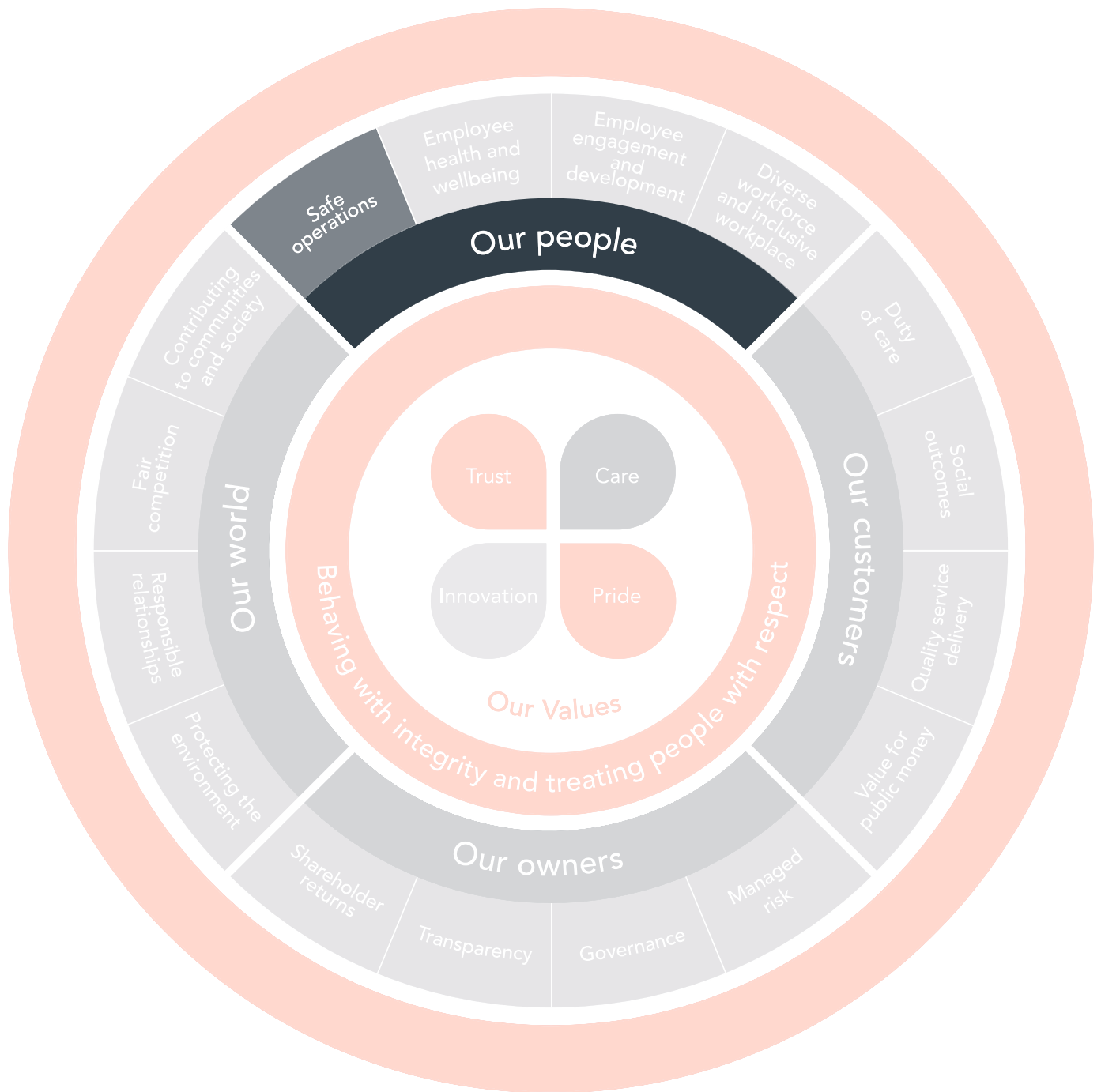
Winning a National Inclusion Standard Bronze Award for our commitment to promoting inclusion in the workplace.

During National Inclusion Week in September, we joined other organisations at the National Inclusion Standard Awards in London, where we were recognised by hosts Inclusive Employers with a Bronze Award for our commitment to inclusion in the workplace.

Serco corporate responsibility report 2019



Safe operations



Safe operations

What safe operations means to us

Our vision is zero harm. We want no one to come to harm because of the work we do. Wherever we work, we are committed to the prevention of injury and promoting a just safety culture.

Our commitment

We recognise that our commitment to a vision of zero harm is a challenging, long-term aspiration that will take continuous concerted effort if it is ever to be achieved given our operational risks. Our Health, Safety and Environment (HSE) strategy is designed to help clarify our next steps on our journey.

Our commitment is defined within our HSE strategy, HSE Policy Statement, supporting standards and related operating procedures.

In summary, we strive to:

- identify, assess and actively manage the health and safety hazards, impacts and risks arising from our operations, investigating incidents and monitoring performance and systems;
- actively encourage input from employees and others to build sustainable solutions, helping us make decisions based on a deep understanding of work conditions and constraints;
- promote a 'just' health and safety culture based on active and caring leadership and mutual trust, innovation and pride; and
- regularly review, learn and identify opportunities for continual improvement at all levels of governance.

Key components in our governance

- The Serco plc Board has ultimate responsibility for HSE, assisted by our Corporate Responsibility Committee (CRC) – which provides formal review and oversight of HSE strategy and effective delivery against agreed objectives and targets – and Group HR Director, Group Executive Sponsor for HSE;
- The CRC, Executive Committee and Divisional Executive Management Teams (EMTs) review quarterly operational and strategic HSE performance reports. HSE data is also included in:
 - » monthly Business Performance Reviews by Divisional Chief Executive Officers (CEOs) and Business Unit Managing Directors; and
 - » Divisional Performance Reviews by the Group CEO, Group Chief Financial Officer and Divisional CEOs.
- Our Group Director of Business Compliance and Ethics is responsible for HSE strategy design, management and execution and the development and maintenance of associated policy and governance.
- The Group Director of Business Compliance and Ethics chairs our global HSE Oversight Group (including Divisional HSE Leads), which meets regularly to discuss strategic and operational performance and share best practice.
- Divisional EMTs are responsible for appropriate Divisional adherence to policy and standards and managing associated risks, while Divisional HSE Leads are responsible for implementing policy and governance across the Division. In addition, we have c.150 operational HSE leads across the business, advising on HSE issues whilst ensuring Company policy and management systems are properly applied and aligned to business requirements.
- Our annual compliance assurance and internal audit programmes cover health and safety, whilst regulatory audit and external certifications provide independent review and assurance.

Our progress

We have:

- strengthened safety leadership:
 - » appointing Anthony Kirby, Group HR Director, our Group Executive Sponsor for HSE;
 - » renewing procedures for, and our commitment to, leadership safety tours as a means of reinforcing safety culture and driving safety behaviours;
- continued to increase the depth, breadth and rigour of our governance and reporting at all levels:
 - » establishing proportionate cross-Divisional oversight across safety-critical areas;
 - » increasing the frequency of Divisional HSE reporting;
 - » launching a new 'Hazard Management and Risk Assessment' module for our HSE reporting system, Assure;
 - » deploying and embedding our new near-miss reporting tool in all Divisions;

- » setting new three-year targets for Safety Key Performance Indicators to focus on long-term trends beyond year-on-year improvements:
 - Major Injury Frequency Rate: down 16% by 2022
 - Lost Time Incident Frequency Rate: down 25% by 2022
 - Physical Assault Frequency Rate: down 22% by 2022
- continued working to improve our capability, culture and performance:
 - » publishing procedures for Just Culture Assessment to support effective investigation and intervention;
 - » driving Divisional improvements in response to our 2018 safety culture survey;
 - » developing new ‘high visibility’ safety awareness resources; and
- deepened focus on the HSE element in the Group Principal Risk, ‘Catastrophic incident’ and associated mitigations.

Performance indicators		2018	2019
Employee engagement: Safety	Avg. score	77	79
Lost Time Incident Frequency Rate	Per 1m hours worked	5.30	5.69
Major Incident Frequency Rate	Per 1m hours worked	0.50	0.39
Physical Assault Frequency Rate	Per 1m hours worked	13.13	8.09
Serious Physical Assault Frequency Rate	Per 1m hours worked	1.32	0.63

For all CR performance data and commentary, see: [Corporate Responsibility Performance Indicators](#) (page 78)

Our next steps

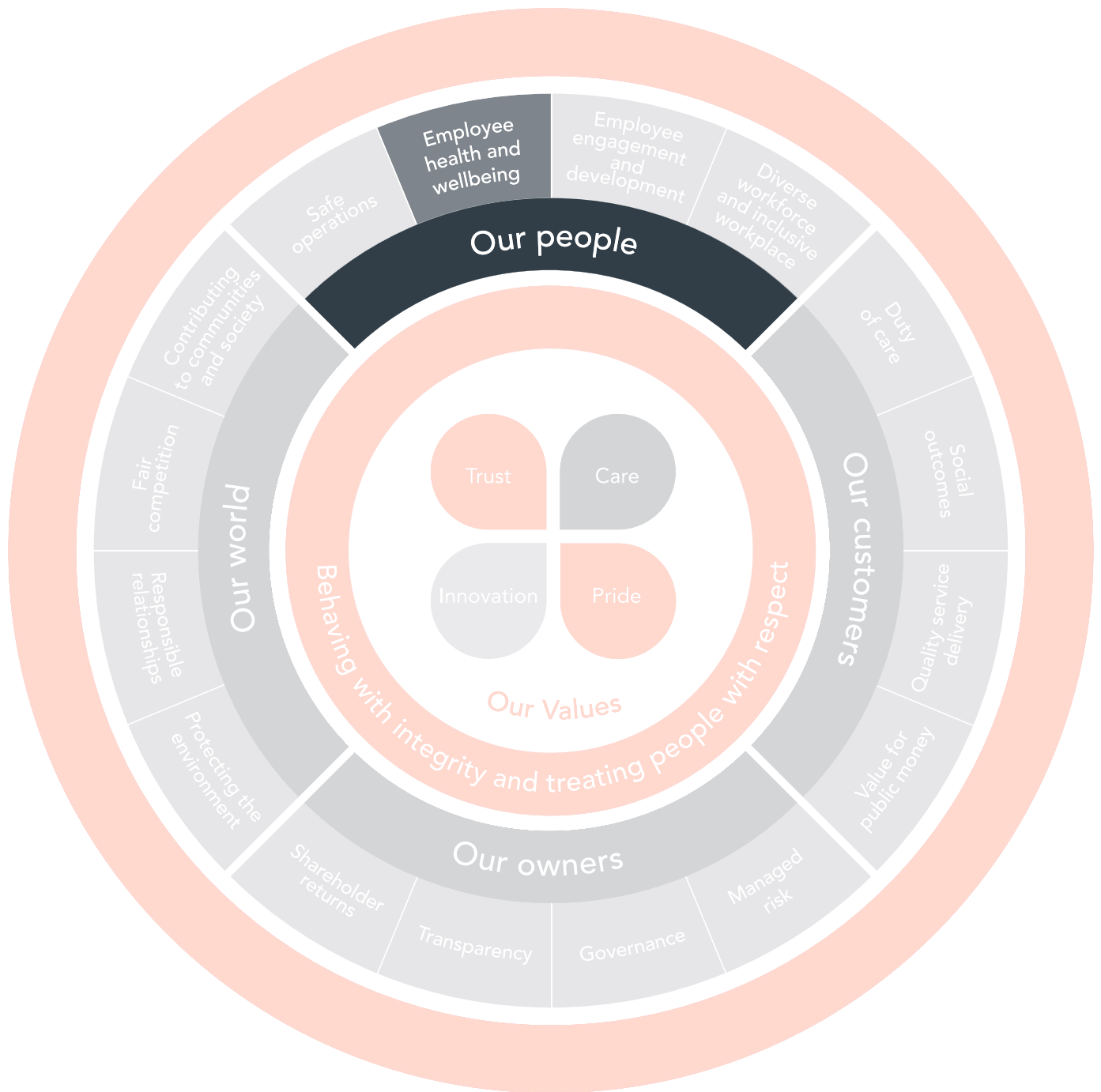
In addition to delivering our ongoing processes, programmes and schedules of continuous improvement, we plan to:

- deploy our new high visibility safety awareness resources across all regions;
- continue embedding our Just Culture processes;
- continue acting on our safety culture survey results whilst undertaking pulse surveys in several areas;
- conduct deep dive reviews in the CR Committee on selected key safety incidents to ensure learnings are captured and gain assurance of progress on actions;
- explore application of our UK Citizen Services ‘Respect & Protect’ campaign in other sectors and regions;
- refresh policy and guidance for home working risk assessments; and
- continue working to achieve our three-year targets for Safety Key Performance Indicators (see above).

Serco corporate responsibility report 2019



Employee health and wellbeing



Employee health and wellbeing

What employee health and wellbeing means to us

We understand that healthier, happier employees go hand-in-hand with strong business performance, enhanced productivity and better outcomes for those we serve. Wherever we work, we are committed to the promotion of wellbeing and the prevention of ill health.

Our commitment

Our commitment is defined within our people strategy, our People and Health, Safety and Environment (HSE) Policy Statements, supporting standards and related operating procedures.

In summary, we strive to:

- identify, assess and actively manage the health and wellbeing (H&W) hazards, impacts and risks arising from our operations, investigating incidents and monitoring performance and systems;
- actively encourage input from employees and others to build sustainable solutions, helping us make decisions based on a deep understanding of work conditions and constraints;
- maintain a healthy and productive workforce through effective management of employee welfare and occupational health;
- promote a culture of wellbeing based on active and caring leadership and mutual trust, innovation and pride; and
- regularly review, learn and identify opportunities for continual improvement at all levels of governance.

Key components in our governance

- Our Group Chief Executive is ultimately responsible for our people strategy objectives and ensuring our people strategy is reviewed annually. The plc Board validates the people strategy and receives quarterly reports on delivery across the Group. Our Corporate Responsibility Committee (CRC) provides formal review and oversight of strategy and effective delivery against agreed objectives and targets.
- Our Group Human Resources Director (HRD) is responsible for people strategy design, management and execution supported by our Global HR Leadership Team, comprising Divisional HRDs, Group HR Centre of Expertise Directors and HR Share Services leadership.
- Our Group HR Centres of Expertise are responsible for policy, strategy and governance across the employee lifecycle. Our Employee Relations Centre of Expertise, led by our Group Director of Employee Relations, is responsible for employee H&W.
- Reporting to the Group Director of Employee Relations, our Group Head of Workplace Health & Wellbeing is responsible for delivering our approach to H&W and chairs our global H&W oversight group (including Divisional H&W leads), which meets regularly to discuss strategic and operational performance and share best practice.
- Divisional Executive Management Teams are responsible for appropriate Divisional adherence to policy and standards, while Divisional HRDs are responsible for implementing policy, strategy and governance across the Division, supported by their H&W leads in the case of H&W.

Our progress

We have:

- strengthened H&W leadership:
 - » appointing our first Group Head of Workplace H&W – Stephen Grassby, formerly Partnership Manager for Serco Leisure in Birmingham, UK;
 - » ensuring all Divisions have a dedicated H&W Lead;
- elevated employee H&W as a Group strategic priority and launched our first Divisional H&W strategy in our Asia Pacific Division;
- continued to increase the depth, breadth and rigour of our governance and reporting:
 - » introducing a new H&W Forum for global oversight;
 - » strengthening H&W elements across the SMS;
- continued working to improve our capability, culture and performance:
 - » building our global network of local H&W Champions;
 - » reviewing third-party service provision to ensure the best solutions support our employees; and
- celebrated World Mental Health Day in October.

Our next steps

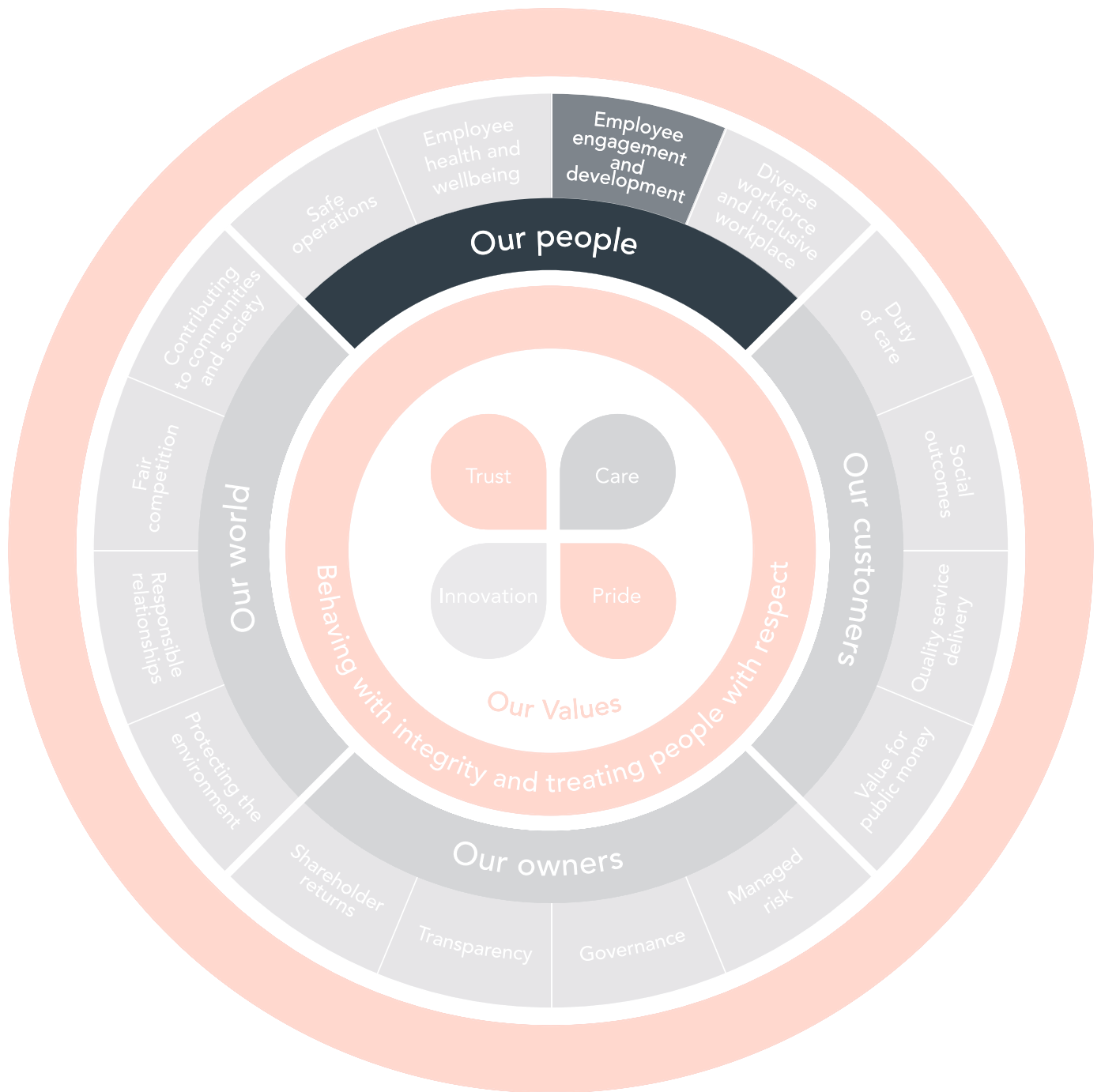
In addition to delivering our ongoing processes, programmes and schedules of continuous improvement, we plan to:

- develop a dedicated H&W strategy for every Division;
- focus on mental health, including access to mental health education, manager training and support for all employees;
- develop standard policy and guidance for automated external defibrillators in all Serco-controlled environments;
- improve our process for assessing operational health risks; and
- continue working to achieve our H&W commitments as stated in our People Report:
 - » reduce our absence rate by 5% year-on-year;
 - » train all managers in mental health awareness by 2023.

Serco corporate responsibility report 2019



Employee engagement and development



Employee engagement and development

What employee engagement and development means to us

We want everybody who works for Serco to have a positive experience and to have access to opportunities to develop in their chosen careers. We track the engagement of our employees and measure the trends to determine where together we can improve further.

Our policy and commitment

Our commitment is defined within our people strategy, People Policy Statement, supporting standards and related operating procedures. In summary, we strive to:

- regularly review and improve levels of employee engagement and performance, including the development of employee skills to meet current and future business needs;
- strengthen dialogue and interconnectivity at all levels, amplify employee voice and cultivate more opportunities to harness employee insights and expertise;
- address any behaviour identified as negatively impacting employee engagement in line with our policies and procedures;
- provide relevant training and development where necessary to enable individuals to perform their duties within role; and
- support the right of our employees to choose whether they are a member of a recognised trade union or employee representative body and deal constructively with such organisations in line with local legislation.

Key components in our governance

- Our Group Chief Executive is ultimately responsible for our people strategy objectives and ensuring the strategy is reviewed annually. The plc Board validates the people strategy and receives quarterly reports on delivery across the Group. Our Corporate Responsibility Committee (CRC) provides formal review and oversight of strategy and effective delivery against agreed objectives and targets.
- The CRC hosts our approach to Employee Voice on behalf of the plc Board, assisted by our Non-Executive Director for Employee Voice.
- Our Group Human Resources Director (HRD) is responsible for people strategy design, management and execution – including Employee Voice – supported by our Global HR Leadership Team, comprising Divisional HRDs, Group HR Centre of Expertise Directors and HR Share Services leadership.
- Our Group HR Centres of Expertise are responsible for policy, strategy and governance across the employee lifecycle.
 - » Our Talent & Capability Centre of Expertise, led by our Group Director of Talent & Capability, is responsible for employee development.
 - » Our Colleague Experience Centre of Expertise, led by our Group Director of Colleague Experience, is responsible for employee engagement and Employee Voice.
 - » Both convene global oversight groups (including Divisional leads for Talent, Capability and Colleague Experience), which meet regularly to discuss strategic and operational performance and share best practice.
- Reporting to the Group Director of Colleague Experience, our Group Colleague Communications Manager is responsible for delivering our approach to Employee Voice and managing contact and communication between the plc Board and our workforce.
- Divisional Executive Management Teams are responsible for appropriate Divisional adherence to policy and standards, while Divisional HRDs are responsible for implementing policy, strategy and governance across the Division, supported by their Talent, Capability and Colleague Experience leads in the case of employee engagement and development.
- Role-related training is managed at appropriate Divisional or Functional levels.
- We recognise that our relationships with trade unions are an important part of our engagement with our employees. Our Group Director of Employee Relations is responsible for our trade unions policy, strategy and governance, managing relationships with our recognised trade unions in the UK and maintaining oversight of trade union relationships in all regions through close contact with our Divisional HRDs/Employee Relations leads.

Our progress

We have:

- continued to run our Company-wide annual engagement survey (achieving an overall employee engagement score of 71, up four points from 2018), supplemented with more frequent pulse surveying in selected parts of the business;
- taken on board the honest views of employees and, in response to these, developed action plans and followed through on their progress;
- worked to amplify employee voice and strengthen dialogue between the Board and all employees:
 - » appointing Kirsty Bashforth, Non-Executive Director, and Anthony Kirby, Group HRD, our lead representative on the Board and Group Executive Sponsor for Employee Voice, respectively;
 - » introducing into our employee engagement survey an opportunity for respondents to share feedback with the plc Board;
 - » appointing our first Group Colleague Communications Manager – Tom Whitaker, formerly Custodial Operations Manager at HMP & YOI Doncaster;
 - » the Group Colleague Communications Manager will deliver our ambitions in this area through our ‘Colleague ConneXions’ programme, which will include: hosting bi-annual discussion events with Kirsty Bashforth on our internal social media platform; provision of online resources and communication channels for employees; supporting Non-Executive Director visits to our operational sites and participation in each regional leadership conference; and providing quarterly progress reports to the CR Committee of the Board;
- continued investing in personal and professional development for our people to help them fulfil their potential whilst developing capability to meet current and future business needs, including:
 - » launching our new graduate programme, to identify and develop our leaders of the future, initially in the UK and Australia;
 - » developing a new approach to performance management, focused on enabling more meaningful performance and career conversations;
 - » delivering our Management and Contract Manager programmes with University of Oxford, Saïd Business School, for a further 116 members of our global management population, bringing the cumulative total to 441;
 - » maintaining Divisional development programmes for talented employees at earlier stages of their careers, providing the skills and opportunities to grow within Serco; and
- continued managing relations and building partnerships with our recognised trade unions in all regions.

Performance indicators		2018	2019
Employee engagement	Avg. score	67	71
People manager engagement	Avg. score	70	73
Leadership engagement	Avg. score	69	77
Employee engagement: Learning & Development	Avg. score	60	64

For all CR performance data and commentary, see: [Corporate Responsibility Performance Indicators](#) (page 78)

Our next steps

In addition to delivering our ongoing processes, programmes and schedules of continuous improvement, we plan to:

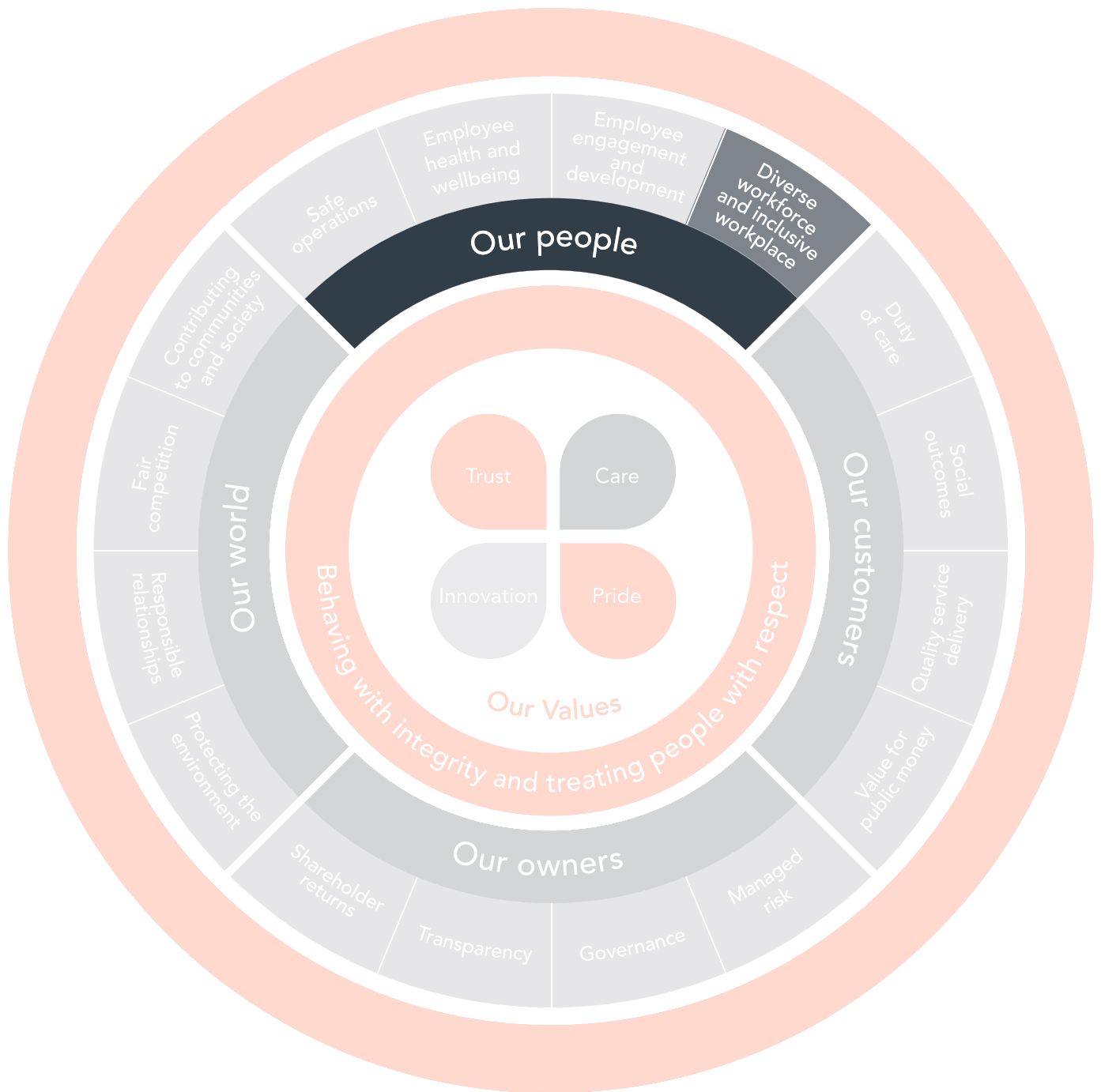
- embed our new Employee Voice governance and Colleague ConneXions programme;
- continue the evolution of our approach to monitoring engagement by:
 - » making it easier for employees to share their views;
 - » improving employee experience at key points in the employee lifecycle;
 - » capturing feedback and sentiment on a real-time basis;
 - » updating our ‘Engagement Awards’ programme in line with our evolving approach;
- launch our new approach to performance management;
- launch our graduate programme in North America and the Middle East;
- increase interaction with our recognised UK trade unions regarding health and wellbeing, Employee Voice and diversity and inclusion; and
- continue working to achieve our engagement and development commitments as stated in our People Report:

- » increase our labour retention rate by 10% year-on-year;
- » achieve an internal promotion rate of 65% for all manager and leader roles by 2023;
- » increase employee engagement rates above a global benchmark level of 72 by 2023.

Serco corporate responsibility report 2019



Diverse workforce and inclusive workplace



Diverse workforce and inclusive workplace

What diverse workforce and inclusive workplace means to us

Our business thrives because of our talented and diverse workforce. We are constantly looking to improve our ways of working in order to make Serco an even better place to work for everybody. Not only do we firmly believe this is the right thing to do, we believe that diverse teams, reflecting the communities they serve, outperform in their service delivery and provide greater value to our customers.

Our policy and commitment

Our commitment is defined within our people strategy, People Policy Statement, supporting standards and related operating procedures.

In summary, we strive to:

- attract, develop and retain employees from the broadest possible talent pool;
- proactively manage and regularly analyse the diversity of our workforce; and
- promote equality of opportunity and create an inclusive and enabling environment in which all our people are treated fairly and with respect, dignity and zero tolerance for any form of discrimination.

Our Gender Pay Gap Report 2019 is available at www.serco.com/about/corporate-responsibility/gender-pay-gap-report

Key components in our governance

- Our Group Chief Executive is ultimately responsible for our people strategy objectives and ensuring our strategy is reviewed annually. The plc Board validates the people strategy and receives quarterly reports on delivery across the Group. Our Corporate Responsibility Committee (CRC) provides formal review and oversight of strategy and effective delivery against agreed objectives and targets.
- Our Group Human Resources Director (HRD) is responsible for people strategy design, management and execution, supported by our Global HR Leadership Team, comprising Divisional HRDs, Group HR Centre of Expertise Directors and HR Share Services leadership.
- Our Group HR Centres of Expertise are responsible for policy, strategy and governance across the employee lifecycle. Our Colleague Experience Centre of Expertise, led by our Group Director of Colleague Experience, is responsible for Diversity & Inclusion (D&I).
- Reporting to the Group Director of Colleague Experience, our Group Head of D&I is responsible for delivering our approach to D&I and chairs our global D&I oversight group (including Divisional D&I leads), which meets regularly to discuss strategic and operational performance and share best practice.
- Divisional Executive Management Teams are responsible for appropriate Divisional adherence to policy and standards, while Divisional HRDs are responsible for implementing policy, strategy and governance across the Division, supported by their D&I leads in the case of D&I.

Our progress

We have:

- continued to expand our D&I activity whilst embedding inclusion in our culture:
 - » appointing our first Group Head of D&I – Jade Fraser, formerly Head of D&I for Serco UK & Europe and an Operational Manager from within our Justice & Immigration Business Unit;
 - » working to deliver regional objectives aligned to our global focus areas (Gender, Disability, Multicultural and LGBT+) including: visible executive sponsorship of each area; developing our employee networks and strategic partnerships; promoting a culture of D&I; hosting or participating in a schedule of events in each area to celebrate and highlight diversity; and working to improve diversity in senior appointments;
 - » launching a shared online environment, the Serco 'Inclusion Hub', where our employee networks are each their own unique community whilst benefiting from collective coordination and collaboration;
- co-hosted a D&I conference with The Whitehall & Industry Group (www.wig.co.uk) to share experience and learn from other organisations;

- published our People Report, featuring a dedicated section on D&I and sharing our commitments to:
 - » increase female representation amongst senior leaders to 35% by 2023;
 - » reduce our UK Gender Pay Gap (GPG) to below 10% by 2022;
 - » grow our diversity networks and colleague communities to more than 5,000 members by 2021; and
- reported our UK GPG for 2018 (11.9%) and 2019 (10.2%).

Performance indicators		2018	2019
Employee engagement: Diversity & Inclusion	Avg. score	74	79
Number of women:			
Serco Group plc Board	Number (%)	3 (33.3%)	3 (33.3%)
Executive Committee and Direct Reports	Number (%)	28 (31.8%)	24 (31.6%)
All other employee levels	Number (%)	18,960 (42.4%)	20,896 (43.1%)

For all CR performance data and commentary, see: [Corporate Responsibility Performance Indicators](#) (page 78)

Our next steps

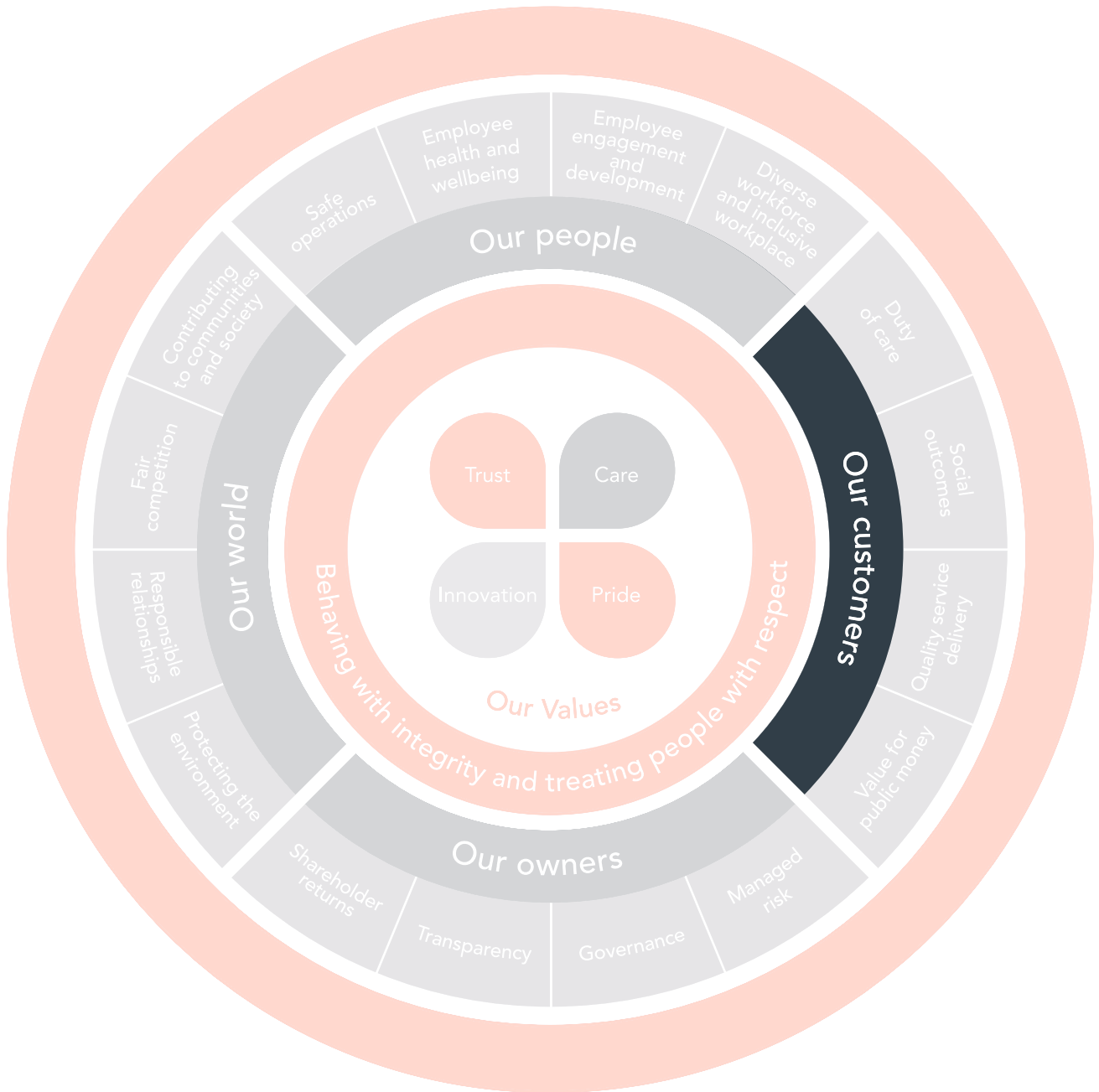
We plan to:

- assess our D&I culture and performance in every region against a standard best practice framework;
- continue to embed and empower our employee networks in all regions and connect them in our Inclusion Hub to drive greater value Group-wide;
- increase the coverage and accuracy of our people data to enable more meaningful value generation for our employee communities whilst improving our performance monitoring and reporting capability;
- put in place practical plans to improve our attraction, development and retention for all diversity groups; and
- continue working to achieve our D&I commitments as stated in our People Report (see above).

Serco corporate responsibility report 2019



Our customers



For more information about where we perceive that we are contributing to the UN Sustainable Development Goals, see pages 8 to 9.

Our customers

We recognise our customers to be those we serve – the public – and the governments and other organisations who engage us to provide public services. We operate internationally across four geographies – UK & Europe, North America, Asia Pacific and the Middle East – and across five sectors – Defence, Justice & Immigration, Transport, Health and Citizen Services. This means we work for and on behalf of multiple governments and stakeholders across these sectors.

Our ability to develop long-term relationships with our customers is critical to our business. We maintain service-specific feedback channels for service users, such as dedicated customer service personnel and surveys, and follow formal processes for engaging with our contract customers, including contract bidding and performance reviews. Individual contract customer relationships are managed by our business leadership from Contract Directors to our Group Chief Executive Officer.

In addition to our contractual responsibilities to our customers, we also share with them a genuine and common goal to deliver superb public services. This is reflected in our purpose: 'To be a trusted partner of governments, delivering superb public services, that transform outcomes and make a positive difference for our fellow citizens'. All in all, we are driven by our public service ethos to help our customers create positive outcomes for society.

Therefore, central to our approach is maintaining and always improving: our care for those who come into contact with our services, our contribution to the service-related social outcomes for which our customers are responsible, the quality of our service delivery and the value for money we enable our customers to achieve on behalf of the public.

We also engage customers through the Serco Institute, an independent think tank working to help governments develop the next generation of public service solutions for citizens through research, insight and innovation.

Our four major governmental customers are the UK Government, the US Government, the Australian Government, and the Government of the United Arab Emirates.

At the regional level, our major customers include:

UK & Europe

- The UK Ministry of Defence
- Defence Nuclear Organisation
- The UK Ministry of Justice
- The UK Home Office
- Transport Scotland
- Liverpool City Region
- Network Rail
- Stockholm County Council
- Barts Health NHS Trust
- Norfolk & Norwich University Hospitals NHS Foundation Trust
- NHS Forth Valley
- Local authorities and community leisure trusts throughout the UK
- Sport England
- The UK Department for Work and Pensions
- The UK Department for Education
- The UK National Citizen Service
- Transport for Edinburgh
- Transport for London
- The European Space Agency
- Institutional bodies and agencies of the European Union
- CERN (European Organisation for Nuclear Research)
- EUMETSAT (European Organisation for the Exploitation of Meteorological Satellites)

Asia Pacific

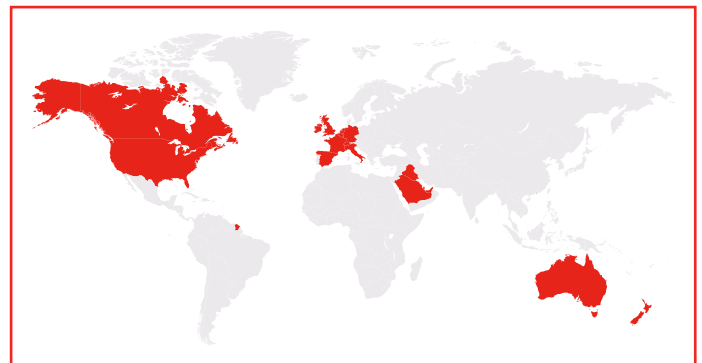
- The Australian Department of Home Affairs
- The Australian Department of Defence
- Services Australia
- National Disability Insurance Agency
- The Australian Taxation Office
- The Australian Antarctic Division
- New South Wales Corrective Services
- Transport for New South Wales
- South Australian Department for Correctional Services
- City of Melbourne
- Queensland Government, Corrective Services
- The Western Australian Departments of Health and Corrective Services
- Public Transport Authority of Western Australia (Transperth)
- The New Zealand Ministries of Justice and Defence
- Transport Department, The Government of Hong Kong Special Administrative Region
- Prince of Wales Hospital, New Territories East, Hospital Authority, Hong Kong Special Administrative Region

North America

- The US Navy
- The US Air Force
- The US Army
- The US Department of Health and Human Services
- The US Department of Homeland Security
- The US Patent & Trademark Office
- The Canadian Department of National Defence
- The Ontario Ministry of Transportation
- US State and Local Departments of Transport
- Pension Benefit Guaranty Corporation

Middle East

- The United Arab Emirates Roads and Transport Authority
- Mubadala
- The Saudi Railway Company
- Dubai Airports
- The Australian Defence Force
- GCANS (General Company for Air Navigation Services)
- DACO (Dammam Airports Company)
- HMG (Dr. Sulaiman Al-Habib Medical Group)
- Mashroat



CR in action at Serco

Beyond this report, our organisation is alive with leadership and action. Each component in our framework represents a continuously improving system of people, projects and processes – managed by global teams and fulfilled by our employees. Here we share headline examples of how our people have brought our commitments to life in the last 18 months. To find out more, please visit:

www.serco.com/about/corporate-responsibility/case-studies

Helping a local community to recover from a natural disaster that destroyed a town and surrounding area.

In May 2019, the town of Dayton, Ohio was hit by 15 tornados that caused widespread devastation. For ten days without stopping, our Dayton Power & Light (DP&L) team (providing fleet maintenance for the DP&L utility company) led the coordination of more than 1,600 neighbouring utility crews that flocked to the town to help restore power; all while many of their own family homes were damaged and without electricity or water.

Helping local government to meet the needs of society through citizen-centred design at Serco ExperienceLab.

ExperienceLab is Serco's customer experience and service design agency, delivering sustainable improvements for public and private sector clients through innovative user-centred design. Our ExperienceLab team are often called upon to help local government improve public services and overcome specific challenges. Examples include: providing Local Government Partnerships with insights into public service consumption; helping the Greater London Authority improve access to community volunteering; and the design of our own Serco Cares programme.

Making Northlink Ferries as accessible as possible for passengers with additional support needs.

In Scotland, we operate the Northern Isles Ferry Service, Northlink Ferries, providing scheduled lifeline passenger and freight services. Since being awarded the contract in 2012, but particularly over the last three years, our team have increased their focus on improving accessibility through a number of different initiatives, including an app that enables passengers to make staff aware of accessibility requirements before arrival and specially-designed 'Changing Places' toilets for passengers with complex disabilities.

Rolling out the Red Cross Community-Based Health and First Aid programme at Acacia Prison in Western Australia.

In 2019, we launched a new programme aimed at increasing prisoner health-related awareness to improve reintegration outcomes at the Serco-operated Acacia Prison in Western Australia. It is the largest rollout of the Red Cross Community-Based Health and First Aid programme in the world so far. The programme involves 22 prisoner volunteers, who are being trained and upskilled to provide support to the wider prison population to deliver positive health and wellbeing outcomes.

Helping Dubai Metro passengers to become more safety conscious.

In 2019, Serco Middle East was recognised by the Dubai Roads and Transport Authority (RTA) for its commitment to safety. The RTA Safety Awards recognise best safety practices and support for the Authority's safety strategy. Through a safety culture of inclusion and engagement, we have achieved all safety objectives for the Dubai Metro in the last five years. Our passenger safety behavioural programmes – involving various educational engagements with passengers – are a key contributor.

Reducing the risk of prisoner self-harm and suicide in UK prisons with our Vulnerability Prediction Tool.

We have developed and successfully deployed a unique and innovative 'Vulnerability Prediction Tool' across the six UK prisons we operate. The new tool predicts a prisoner's vulnerability by recognising departures from normal patterns of behaviour. This is then highlighted to prison officers, allowing them to intervene and support the prisoner before they become a risk to themselves.

Helping to promote industrial and technological progress at the United States Patent and Trademark Office.

We support the US Patent and Trademark Office (USPTO) in delivering their mission to 'promote industrial and technological progress in the United States and strengthen the national economy'. Since 2006, we have been responsible for providing multiple services to the USPTO, including Intellectual Property analysis and classifications that are critical elements in the patent process and public records. To date, we have processed more than 4,000,000 patent applications, to a high standard of service.

Helping to rebuild civil aviation in Iraq by training aspiring Iraqi air traffic controllers in our Aviation Academy in Baghdad.

We provide Air Navigation Services in Iraq, working with the Ministry of Transportation to help rebuild Iraq's National Air Traffic Service Network and ensure its compliance with international standards. This includes provision of Aviation English training and assessments for Iraqi students through our onsite Aviation Academy. Among our tools are an online portal that pairs Iraqi students with learners around the world for English-based communication challenges.

Designing and developing rapid prototype solutions to enable the US Navy to determine manpower requirements.

We help the US Navy to test mission-critical theories quickly and accurately through the rapid design of sophisticated 'predictive model' prototype solutions. A recent example is a variable manpower model that enables the US Navy to flexibly determine shore manpower requirements across almost any operational, mission or scenario-based requirement. The solution was extremely well received by the customer, who is now exploring opportunities to expand the work and engage Serco to develop other, similar tools.

Enabling Victoria Police to focus on core policing activities whilst making it easier for citizens to access non-emergency services.

We have designed and launched a new police assistance line and reporting service for Victoria Police in southeast Australia. The new service provides citizens with two new channels to access Victoria Police for non-emergency services – via a Serco contact centre and an online portal. By re-directing non-emergency enquiries, our solution enables increased capacity for core policing activities and responding to urgent and emergency calls, whilst also making it easier for citizens to access non-emergency services.

Challenging conventional practices to reduce reoffending and remove barriers for disadvantaged communities with Serco Alternative Justice.

We were highly commended in the 'Greater Good' category of the 2019 Corporate Entrepreneur Awards in Australia for the innovative work of our new Alternative Justice practice, designing and implementing alternative reform and rehabilitation solutions for marginalised and vulnerable citizens. The ambition of our Alternative Justice team is not only to divert these citizens from prison and reduce their likelihood of reoffending, but holistically and sustainably improve their overall quality of life.

Improving patient care in UK hospitals through our Serco Cares programme.

Our people contribute to patient wellbeing in hospitals by helping to create safe and efficient hospital environments and supporting clinical practice and patient care. Serco Cares is a development programme that encourages them to think differently about their roles. The 'Styles & Smiles' patient salon at University Hospital Wishaw in Scotland, which won 'Best Hospital Care Initiative' at Scotland's Dementia Awards 2019, is one of a growing number of employee-driven initiatives for improving patient experience and outcomes.

Delivering award-winning innovation to enhance service provision at the Dubai Metro.

Our Engineering and Maintenance Team at the Dubai Metro received an 'Innovation in Transport Award' at the 2019 Logistics and Transport Awards in Dubai. Recognising an opportunity to improve the overall efficiency of the network, the team designed and built a solution that makes visible the 'DNA' of a potential system failures through the application of machine learning and complex coding algorithms. The outputs are then used to isolate and address any potential faults identified.

Collaborating across contracts to save the US Navy money and time while delivering high quality security solutions.

In North America, a recent collaboration between our Shore Electronic Security Systems team (responsible for installing security systems for the US Navy Munitions Command) and our 'Giant Voice' team (providing production and installation services for the US Navy Giant Voice Mass Notification System) resulted in significant savings for our customer through the innovative repurposing of a proven solution which eliminated the need for costly and time-consuming traditional processes.

Enabling innovative energy efficiency in facilities infrastructure with Serco Insights.

In the United Arab Emirates, we work with our customers to improve energy efficiency in older buildings without compromising on service quality. We have developed a new solution, Serco Insights, to unlock the value of 'trapped data' in building management systems and enable the most efficient energy consumption to meet demand. Serco Insights has been trialled at several sites, including New York University in Abu Dhabi, with excellent results and cost savings.

Overcoming exceptional challenges in order to maintain quality patient care at University Hospital Southampton, UK.

On 28th November 2018, the University Hospital in Southampton experienced a complete power failure in the East Wing and two fires in different parts of the hospital, necessitating large-scale patient evacuations. Alongside all their colleagues helping to manage the incident, our patient catering team overcame the exceptionally challenging circumstances to ensure that quality catering services continued to be delivered to around 1,400 in-patients throughout the day, including provision for all special dietary requirements.

Pushing the boundaries of technology to develop new capabilities even more closely aligned to evolving customer needs.

Our customers' needs and expectations continue to evolve at pace whilst new technologies are redefining traditional service delivery. We are building and experimenting with these new technologies – not only to improve existing capabilities, but to develop transformational new capabilities even more closely aligned to meeting customer needs. Examples include: facial recognition access for leisure centres, Robotic Process Automation for US Medicare and Medicaid applications, and 'Internet of Things' sensor technology across our facilities management estate.

Helping to reduce reoffending through cost-effective prisoner reintegration support services at the Adelaide Remand Centre.

In 2019, we signed a new contract with the South Australian Government to operate and manage the Adelaide Remand Centre (ARC) for the Department for Correctional Services. We are upgrading the facility to increase total possible occupancy and developing and implementing a purpose-designed remand strategy in support of South Australia's target to reduce reoffending by 10%. Our management of ARC also represents an expected saving for the state government of approximately \$5-6 million per year.

Embracing innovation to safeguard society and reduce reoffending through our Accelerate@Serco programme.

In 2019, we ran the ten-week Accelerate@Serco programme, an opportunity for start-up solution providers around the globe to step into our world and get behind the scenes. Start-up teams worked with us onsite – exploring key challenges, receiving specialist mentoring and gaining access to live operational environments. One of the finalists is now working with us on the implementation of their solution – Virtual Reality-based therapy and training – while others have been introduced to other Serco business units.

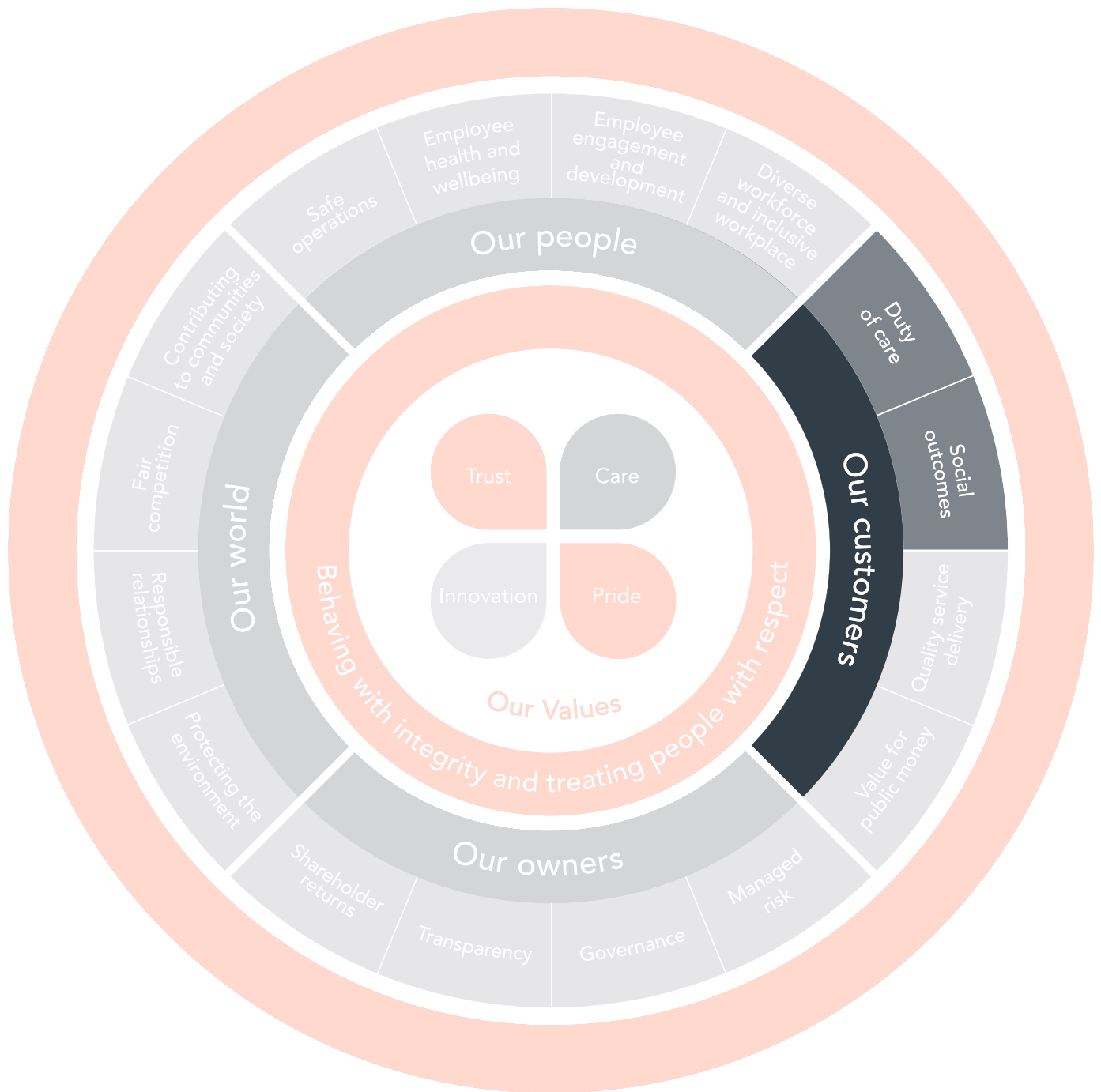
Enabling continuous improvement across Serco and providing rehabilitative development for prisoners through our Operational Excellence programme.

Our Operational Excellence (OE) vision is a continuous improvement culture that engages and benefits our customers, service users, employees and our Company. The Serco OE programme is deployed across all sectors and regions and nearly 3,500 employees have completed training to date. Among our recent OE projects is a unique new initiative: OE training for prisoners at HMP Ashfield – supporting improved prisoner resettlement and employment after release. We are now training our second cohort and exploring opportunities to extend the initiative globally.

Serco corporate responsibility report 2019



Duty of care & Social outcomes



Duty of care & Social outcomes

What duty of care means to us

We place human rights and the health, safety and wellbeing of the public at the heart of service design and delivery.

What social outcomes means to us

We aim to enhance social outcomes by designing and delivering frontline public services that make a real difference to people's lives.

Our policy and commitment: Duty of care

Our commitment is defined across our policy framework, principally our Policy Statements on: Business Conduct and Ethics; Business Development; Governance; Health, Safety and Environment; Operations; People; and Quality, as well as supporting standards and related operating procedures.

In summary, we strive to:

- prioritise, protect and promote the health, safety and wellbeing of the recipients of our services, whether they are those for whom we are directly responsible, such as individuals in our prisons or travelling on our transport, or those who are the direct beneficiaries of our services, such as patients in the hospitals that we clean and maintain;
- design and deliver services in ways that focus on the needs and experiences of service users and enable and enhance service-related outcomes, including the provision of service environments, equipment and employees that are conducive and contribute to these imperatives;
- ensure that service users are treated with consideration, courtesy, compassion and respect, and that our provisions and interactions exemplify our Value of Care, helping us to make a positive difference, including the maintenance of feedback channels to enable effective identification of and response to risks and improvement opportunities;
- identify, assess and actively manage the health, safety and wellbeing hazards, impacts and risks arising from our operations, investigating incidents and monitoring performance and systems; and
- regularly review, learn and identify opportunities for continual improvement at all levels of governance.

Our policy and commitment: Social outcomes

We believe that the provision of public services around the world – for us, for our customers and for society – requires commitment to a social as well as a commercial contract.

We recognise a responsibility for delivering services that enable the achievement of positive outcomes for society, whether achieved for those directly experiencing our services, such as prisoners in our care, or through the indirect benefits of our services, such as citizens in general who benefit from our contribution to reduction of reoffending.

Our commitment is defined across our policy framework, principally our Policy Statements on Business Development, Operations and Quality as well as supporting standards and related operating procedures.

In summary, we strive to:

- maintain our public service ethos and aspiration to do the best for citizens, not just for our customers;
- regularly communicate and embed our Values throughout the organisation;
- research, measure and improve our solutions so that they are citizen-centred and aligned to our commitment to quality service delivery; and
- maintain a focus on delivering particularly complex and transformational services that are critical to the functioning of society.

Key components in our governance: Duty of care

Our duty of care commitment benefits from the governance in place across other areas of our Corporate Responsibility (CR) framework.

For example:

- seeking to ensure we deliver contracted duty of care requirements is part of our commitment and approach to **quality service delivery** (page 44);
- seeking to ensure the health and safety of our service users is part of our commitment and approach to **safe operations** (page 23);

- seeking to ensure we treat service users with respect for their human rights and to a high moral standard is part of our commitment and approach to **Behaving with integrity and treating people with respect** (page 15); and
- the materiality of service user health, safety and wellbeing is recognised in our principal risks, 'failure to act with integrity' and 'catastrophic incident'. Mitigating these risks effectively is part of our duty of care commitment and approach. See: **Managed risk** (page 75).

In addition:

- Divisional Business Lifecycle Review Teams help to ensure our duty of care is complied with during our Business Lifecycle, including solution design, implementation and operation.
- Our Corporate Investigations Group Standard Operating Procedure sets out the standards and approach to be taken when investigating serious incidents and allegations, including those involving or reported by service users.
- Our Value of Care is integrated into our Code of Conduct, Leadership Model, annual Performance and Development Review process and Pulse Awards recognition programme, enabling us to define and communicate our expectations of caring behaviour and helping to ensure these are met.

Key components in our governance: Social outcomes

To enhance social outcomes across the services we provide, we aim to continuously evaluate and improve their design and delivery. We do this through our robust governance process and standardised programme management framework that manages the lifecycle of our business from bid through transition and the operating period of a contract.

In summary, we:

- follow a governance framework and business development process that seeks to manage risk, enables transparent and well-informed decision-making, and facilitates delivery of value and social outcomes;
- monitor service user and customer satisfaction levels; and
- meet regularly with our customers to openly review our performance and enable continuous improvement.

Our progress and next steps

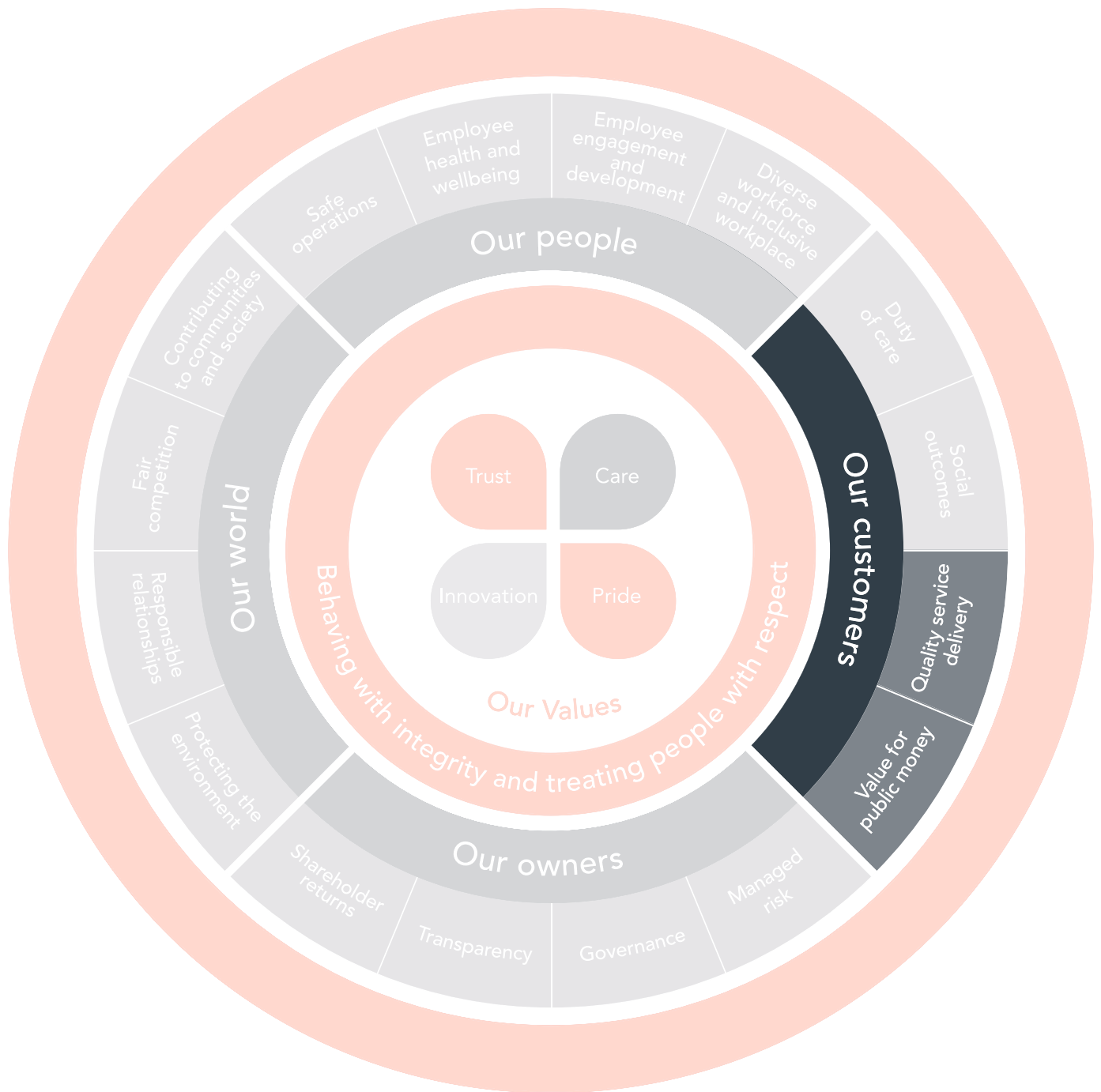
We have, and will continue to:

- invest in, develop and improve citizen-centric, outcome-focused service solutions, informed by:
 - » service users – integrating citizen and user-centred design and feedback into our services, such as the Serco Cares programme and the capabilities of our customer experience and service design agency, Serco ExperienceLab;
 - » our people – cultivating more opportunities to harness their ideas and expertise; for example, through our Oxford Management programmes, evolving employee engagement survey capability, development of a new innovation strategy and creating better networks across the business;
 - » our Values and public service ethos – ensuring all colleagues are clear that we are a company who often seek to go beyond the requirements of our contracts to do the right thing and improve social outcomes; and
 - » the non-governmental organisations with whom we partner for service delivery – through strong consultative and collaborative relationships;
- contribute more to social outcomes and social value within our contracts, through the continuing development of our new Social Value strategy;
- contribute more to social outcomes outside the remit of our business through the rebirth in 2019 of the Serco Foundation, whose mission is to enhance public service outcomes for vulnerable citizens;
- work to create positive, safer service environments through our focus on the wellbeing of employees, service users and others, and our commitment to a vision of zero harm (**Safe operations**, page 23);
- deliver and refine policy and processes to maintain a workforce who reflect the communities we serve, understand our expectations of caring behaviour and are bound by a strong set of Values; and
- work to deliver all contracted duty of care requirements and address service-specific risks and challenges at all stages of our business lifecycle.

Serco corporate responsibility report 2019



Quality service delivery & Value for public money



Quality service delivery & Value for public money

What quality service delivery means to us

We draw on our international best practice, cross-sector experience and our ability to innovate in order to help governments raise standards of public service.

What value for public money means to us

Along with quality of delivery, we seek to enable governments to deliver better for less.

Our policy and commitment: Quality service delivery

Providing reliable and high-quality products and services that meet customer and service user needs is important to us. To the best of our abilities, aligned to helping customers achieve value for money, we seek to deliver services that are as high-quality as possible and subject to appropriate focus on continuous improvement.

Our commitment is defined across our policy framework, principally our Policy Statements on Operations and Quality, as well as supporting standards and related operating procedures.

In summary, we strive to:

- employ an experienced, knowledgeable and well-trained frontline workforce;
- deploy quality systems that deliver excellent service usability for our end users;
- work closely with our customers to anticipate, understand and review current and future needs and policy environments;
- enable quick and proactive innovation through deployment of our Centres of Excellence (CoEs), test new ways of doing things and improve continuously throughout the lifetime of our contracts;
- transfer international and cross-sector best practice and experience to scale and customise our solutions;
- invest in research and design thinking by utilising Serco ExperienceLab to deliver services that are citizen-centred and outcome-focused; and
- attract, develop and retain expert and empowered people from across the globe.

Our policy and commitment: Value for public money

We are committed to enabling governments to achieve the best value for money for the public services we deliver.

Our commitment is defined across our policy framework, principally our Policy Statements on Business Development and Operations as well as supporting standards and related operating procedures.

In summary, we strive to:

- select and bid for opportunities where we can achieve optimal balance of value creation for our stakeholders;
- manage our business with commercial rigour;
- regularly review our overheads and contract costs;
- establish appropriate benchmarks for services within our sectors;
- utilise our Centres of Excellence (CoEs) to identify cost effective innovation at the contract and corporate level;
- fully utilise our economies of scale and our international, transferable expertise;
- measure, monitor and report on key supplier performance to drive a cost-effective supply chain; and
- maintain our public service ethos that drives us to deliver superb services.

Key components in our governance: Quality service delivery

High quality services are delivered through good management and improved on through consistent research and evaluation.

In summary, we:

- embed appropriate management systems that enable quality to be assessed and managed to drive and demonstrate continual improvement in line with customer needs and expectations;
- deliver certification to appropriate industry standards; conduct formal monthly reviews of contracts and projects, held by Divisional Executive Management Teams, which ensure monitoring and reporting of performance against contract obligations;
- hold regular meetings with customers, including contract performance reviews; and

- collate annual feedback from our customers on the quality of our services and deploy this insight to drive continual improvement.

Key components in our governance: Value for public money

We have a robust governance process and standardised programme management framework that manages the lifecycle of our business from bid through transition and through the operating period of a contract.

In summary, we:

- apply principles of good programme and project management to all of our bids, sharing best practice and applying lessons learned;
- fully apply operational expertise to business development decisions;
- follow a governance framework and business development process that manages risk, uses resources effectively and enables transparent, robust and well-informed decision-making whilst maximising value;
- balance innovation and our entrepreneurial spirit with robust risk management at all stages of business development, especially when entering new markets;
- conduct Divisional Performance Reviews and Business Lifecycle Reviews of all contracts, held by Divisional Executive Management Teams;
- oversee and assess all aspects of operational, financial and strategic performance of contracts, held by Business Units within each Division; and
- ensure the transition of contracts is effective, implementing agreed solutions and delivering agreed customer requirements.

Our progress and next steps

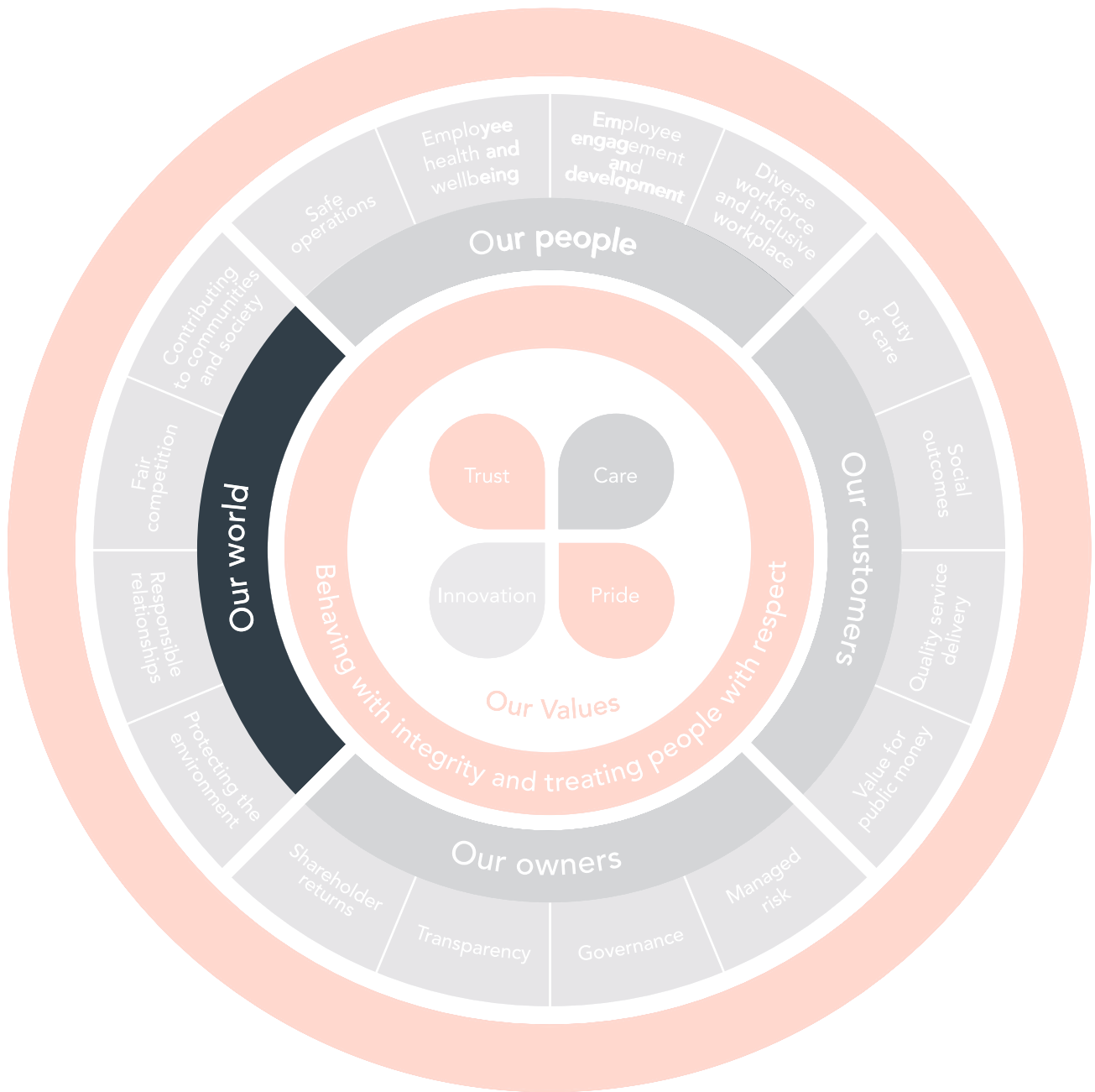
We have, and will continue to:

- work to improve the efficiency and productivity of our service delivery through our new Contract Productivity Community of Practice and the work it is doing to understand different levers we can pull globally to make improvements in this area;
- improve the efficiency and effectiveness with which we manage our workforce; for example, through the increased rollout of workforce management systems across our contracts;
- identify new technologies to improve both our back office and customer delivery; for example, through our work with incubators and start-ups;
- deliver our annual schedule of formal Contract, Business Unit and Divisional performance reviews;
- deliver key transformation programmes to enhance our internal capabilities whilst maintaining or improving our overhead efficiency;
- deploy our global sector Centres of Excellence (CoEs) to develop global best practice and innovation in public service delivery; for example, our Internet of Things pilots, global efficiency benchmarks and new service offers developed by our Healthcare CoE;
- expand our Operational Excellence (OE) programme – cultivating continual improvement and efficiency creation by successfully training our employees in OE (1,318 employees trained during 2019);
- deploy the Serco Institute as a mechanism for researching and developing innovative public service solutions for the future; for example, through our work in 2019 on Social Value, Whole Force by Design, and violence reduction in prisons; and
- develop new global Communities of Practice in areas with international synergies and where improved knowledge-sharing could reap benefits, including maritime and aviation services.

Serco corporate responsibility report 2019



Our world



For more information about where we perceive that we are contributing to the UN Sustainable Development Goals, see pages 8 to 9.

Our world

As a provider of diverse public services, operating in more than 20 countries around the world, we operate within and contribute to multiple complex social, economic and physical environments. Across these we recognise our responsibilities to a range of stakeholders, including the third parties with whom we interact as neighbours, peers, partners and environmental stewards.

We strive to be responsible in how we impact the communities, economies and environments in which we operate – making a positive difference wherever possible and limiting any other impact we may have. We are committed to: working closely, collaboratively and partnering effectively with our stakeholders; protecting their interests by operating legally, fairly and ethically; and building honest, respectful and transparent relationships.

Communities

Our engagement with communities – those we serve and those where we operate – is at two levels: business-led and employee-led. We are committed to proactive dialogue with representative bodies to understand and manage our impact; and facilitating employee participation in community initiatives and charitable giving, which also applies to the regional causes our employees choose to support.

At Contract and Business Unit levels we maintain relationships with specific non-governmental organisations (NGOs) with whom we consult or collaborate for delivery of service outcomes. For example, our contract to operate Her Majesty's Prison Belmarsh West, UK, is delivered in partnership with voluntary-sector partners, Turning Point and Catch 22.

We also engage with NGOs and charities in the regions where we operate through the Serco Foundation, an independent charitable organisation established specifically for that purpose.

Suppliers

Our supply chain 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 our own. We seek to complete appropriate due diligence to understand those we work with.

The total number of Tier 1 suppliers in our supply chain as of 28 January 2020 was 12,512¹. While we operate in several different sectors, our operations are characterised by the provision of services. This is reflected in the make-up of our supply chain, demonstrated in Figure 1 below.

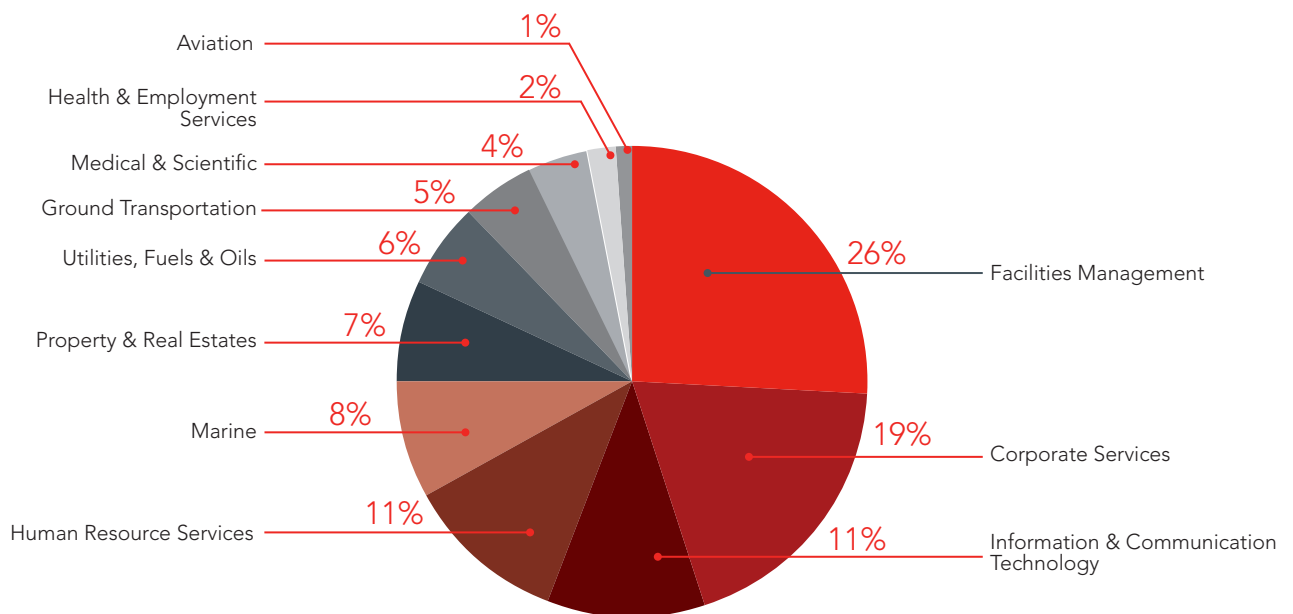


Figure 1: Spend by category

We engage with many small and medium-sized enterprises (SMEs) through our supply chain. For example, within the UK we spend around £342m with over 4,100 SMEs annually, which accounts for 38% of our annual spend and 55% of our supply base.

¹Data covers the Group excluding Serco Leisure (UK), Europe and North America where comparable data is not available.

Strategic partners

We are engaged in several joint ventures with commercial partners. For example, Merseyrail is a joint venture between Serco and Abellio in the UK.

In some cases, we deliver services through consortium arrangements. For example, we are part of the Northern Pathways consortium, which includes John Laing, John Holland and Macquarie Capital, that has been appointed as the preferred proponent to design, construct, operate and maintain the Clarence Correctional Centre, on behalf of the NSW Government.

We work to maintain strong, collaborative relationships with our suppliers and strategic partners, both centrally and locally, engaging them regularly in strategy and performance review meetings, management forums and site visits.

The environment

We recognise our responsibility for the environmental impacts of the services we deliver, the products and services we buy and the ways in which we operate. We consider the following environmental aspects to be material to our activities: carbon emissions generated through our own operations, energy consumption and business travel; climate resilience; waste generation and disposal; water consumption; resource use; pollution; and biodiversity.

Where we have direct control of environmental impacts, activities are managed locally. Across more than two thirds of our business we work on our customers' premises and are not in direct control of environmental impacts. In such cases, we work collaboratively with our customers, supporting them in applying their own environmental management systems and objectives.

CR in action at Serco

Beyond this report, our organisation is alive with leadership and action. Each component in our framework represents a continuously improving system of people, projects and processes – managed by global teams and fulfilled by our employees. Here we share headline examples of how our people have brought our commitments to life in the last 18 months. To find out more, please visit: www.serco.com/about/corporate-responsibility/case-studies

Helping to fight the Australian bushfire crisis through charity, volunteering and supporting national disaster relief efforts through our operations.

The 2019–20 Australian bushfire season was one of the worst and most tragic on record – burning and spreading with catastrophic scale and intensity. Many Serco teams were directly impacted – either as victims or through their roles, supporting military relief efforts. Many employees supported as volunteer emergency service crews and Reservists. Others contributed to widespread fundraising efforts, including Serco colleague, Karen Flinn, who launched the successful Backpacks for Bushfires campaign, giving the nation a means of supporting families impacted by the crisis.

Helping prisoners' families access local health services at Kohuora, Auckland South Corrections Facility.

The Community Oral Health Service visited Auckland South Corrections Facility (Kohuora) in July 2019. The service was struggling to connect with certain families, many of whom have family members in the prison. To help tackle this issue, a trial of dental sessions in the Kohuora Visitor Centre was arranged, with prisoners booking visits for their children. The sessions offered a welcoming environment to assess patients and provide caregivers with information and support.

Supporting the tribally owned services company, Puyenpa, through the US Small Business Administration 'All Small Mentor-Protégé program'.

In 2019, our Serco Americas Division formed a joint venture, Mahani Technical Services, with a tribally owned services company, Puyenpa, through the US Small Business Administration (SBA) 'All Small Mentor-Protégé program'. The programme was established by the SBA to enable small businesses to learn from experienced government contractors, thereby developing strong protégé firms through mentor-provided business development assistance and helping them successfully compete for government contracts.

Sharing leadership, expertise and resources to help social and environmental responsibility to flourish in the United Arab Emirates.

In 2019, Serco Middle East became an active member of the Sustainability Network of the Dubai Chamber of Commerce and Industry, a non-profit public organisation supporting the business community in Dubai. Our contributions across the network's task forces range from delivering seminars on specific challenges to organising Serco Middle East support for initiatives such as 'Go Beyond Earth Hour', 'Give and Gain Week', 'Together for a Better Future' and our own annual 'Serco Road Safety Awareness Day'.

Building stronger relationships between asylum seekers and local communities through volunteering and non-profit partnerships.

For our Asylum Accommodation and Support Services Contract (AASC) employees, contributing to communities is fundamental to how they deliver their roles. By forming close ties with their communities, where they work to integrate asylum seekers, and encouraging those asylum seekers to do the same, they can facilitate faster, stronger relationship-building for the benefit of all involved. Volunteering is an important part of this, and the team develop a good range of volunteering opportunities every year.

Reducing waste to landfill whilst contributing to Red Crescent by recycling textiles at United Arab Emirates University.

Working in partnership with Red Crescent, our Waste Management team at United Arab Emirates University New Campus in Al Ain – where we provide integrated facilities management services through Khadamat Facilities Management – have established an unwanted textiles collection system. Old clothing, shoes, bed linen and carpets are collected and sorted for recycling. To date, more than 22,000 kgs of textile waste has been saved from landfill – being redirected into Red Crescent care packages.

Delivering social and environmental benefits through our insurance investments with Premiums4Good.

In Australia, we have aligned our Workers Compensation insurance (which supports Serco employees who are injured at work) more closely to our commitments to sustainability, community and the environment. Now, instead of the insurance premium being invested in shares or bonds, we have arranged to direct 25% of premiums into investments that deliver social or environmental benefits, including Social Impact Bonds and Green Bonds which provide direct financial support for community and environmental projects.

Helping to upskill Small and Medium Enterprise workforces and boost local economies in England with Serco Employment, Skills & Enterprise.

Our UK Employment, Skills & Enterprise business has been selected by the Education and Skills Funding Agency to deliver 17 new local 'Skills Support for the Workforce' contracts, providing training to help upskill the workforces of Small and Medium Enterprises. We will provide support in multiple regions across England, working with local training providers to offer accredited qualifications and bespoke training courses for enhancing employee skills and increasing the competitiveness of local businesses.

Recycling to reduce landfill and support the Western Australian disabled community at Fiona Stanley Hospital.

In a collaboration between Serco and the Fiona Stanley and Fremantle Hospitals 'Green Theatres Group', operating theatre hand towels are no longer going to landfill thanks to a project helping both the environment and ParaQuad Industries (PQI). The towels are now collected and given to PQI – a Registered Australian Disability Enterprise providing employment and vocational educational opportunities for people with disabilities – to sell as part of its recycling and re-use activities.

Achieving a new standard of energy management for efficiency, sustainability and resilience in Serco Leisure.

In 2019, our Leisure business in the UK gained certification to the 2018 version of the International Organisation for Standardisation energy management standard (ISO 50001). This followed an 18-month development, implementation and external audit process. Our Leisure business is amongst the first in the Leisure sector globally to be certified to the 2018 version of the standard.

Helping to minimise costs and protect the environment through the management of hazardous materials for the US Department of Defense.

Serco has a strong background managing hazardous materials (HAZMAT) on both ship and shore, with a focus on helping the US Department of Defense (DoD) reuse and minimise the amount of HAZMAT procured to reduce costs and protect the environment. For nearly twenty years we have provided HAZMAT management services to the DoD through a number of different contracts – such as for the US Navy's Fleet Logistics Center in San Diego – spanning the entire HAZMAT lifecycle from planning and procurement, through inventory and storage to distribution and disposal.

Celebrating an award-winning supply chain service partnership at United Arab Emirates University.

Through Khadamat Facilities Management, we provide integrated facilities management services to the United Arab Emirates University (UAEU) New Campus in Al Ain. At the Annual Middle East Cleaning and Hygiene and Facilities Awards in 2019, we were one of two winners in the 'Best Client-Contractor Relationship Award' category. We received this award in recognition of the positive impacts of strong collaboration with our strategic partner for cleaning operations as part of our 'One Team, One Direction' initiative.



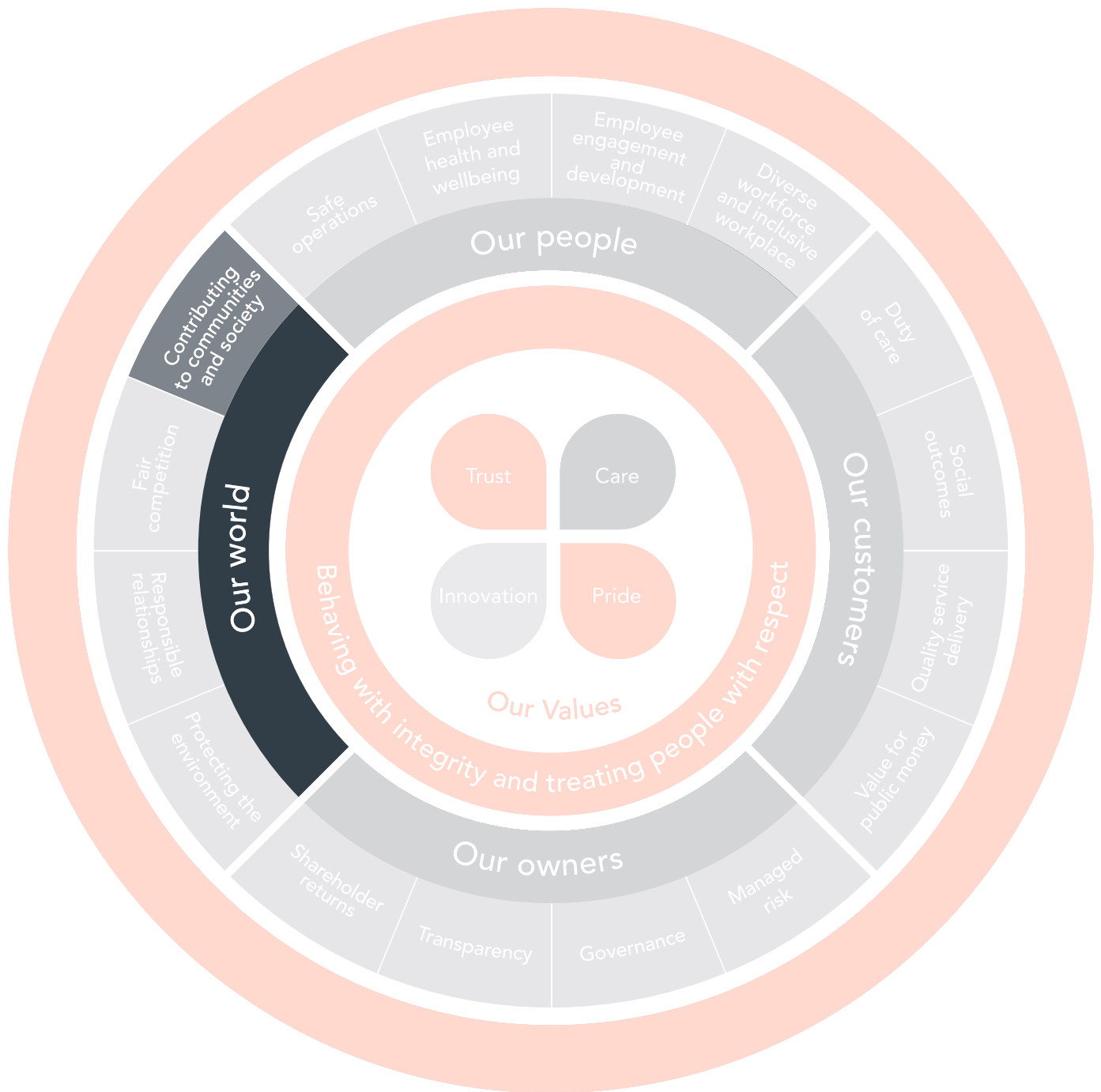
Embedding 'everyday green thinking and behaviour' across the business with our Serco Europe Goes Green programme.

In Europe we have launched our 'Serco Europe Goes Green' network, a growing community of Serco Europe employees who are helping to promote and embed 'everyday green thinking and behaviour' across the business. The network formally launched in November 2019 and there are already 40 Green Ambassadors across Serco Europe. Their mission is to educate their colleagues about how we can improve and reduce our environmental impact, encouraging them to 'think big and act local'.

Serco corporate responsibility report 2019



Contributing to communities and society



Contributing to communities and society

What contributing to communities and society means to us

Operating amongst and on behalf of our communities, we have a deep understanding of the complex social challenges that impact them. We encourage and facilitate community initiatives and charitable giving, both from employees and from the Serco Foundation. Beyond this, as an active and community-minded employer and participant in national infrastructure, we contribute to the sustainability and wellbeing of society and the economy wherever we operate.

Our policy and commitment

Our commitment is defined within our Operations Policy Statement, supporting standards and related operating procedures.

In summary, we strive to:

- work closely with communities and partner effectively with local government in order to best contribute to society and economy at the local level;
- employ people from the local community where possible;
- encourage and participate in charitable activity that aligns with our Values.

Key components in our governance

In summary, we:

- manage individual local and regional community, charity and partner engagement at Contract, Business Unit or Divisional level, in line with our Values and the Serco Management System;
- follow our Group Standard Operating Procedure for Charitable Donations, Sponsorships and other Contributions; and
- use our compliance management system, Assure, to track community and charity investment.

Our progress

We have:

- continued positive and meaningful engagement locally with our communities, charities and other causes in all regions;
- engaged with the business to consider options for overcoming challenges in capturing the full extent of our community investment;
- hosted an event focused on the UK Government 'Social Value' agenda through the Serco Institute, 'How to achieve real Social Value in public sector outsourcing', with participants from a number of relevant sectors; and
- formally relaunched the Serco Foundation, an independent charitable organisation aiming to support non-profit organisations in the delivery of public services through awarded grants and the secondment of Serco employees.
 - » For example, £19,878.00 has been awarded to the Royal British Legion Industries to fund one of the charity's 'Lifeworks' programmes, supporting veterans to find and maintain paid employment after military service.

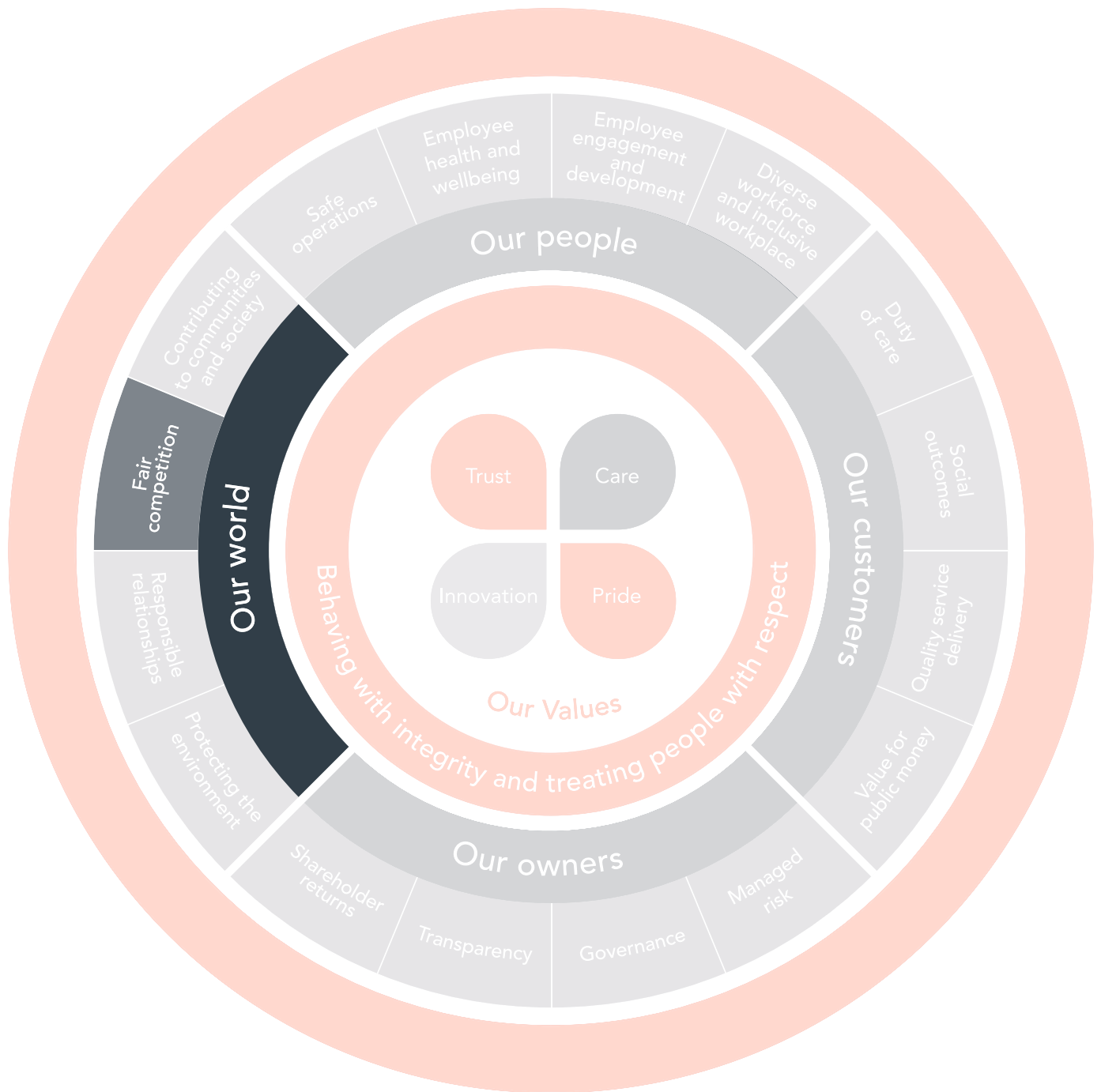
Our next steps

We plan to:

- agree and implement improvements that will enable us to resume reporting our global community investment performance; and
- continue helping to facilitate government and industry dialogue and direction regarding the UK Government 'Social Value' agenda.

In addition, the Serco Foundation will focus on increasing the number of grants awarded to non-profit organisations and support the fundraising initiatives of Serco employees.

Serco corporate
responsibility report 2019
Fair competition



Fair competition

What fair competition means to us

We strive to compete legally, fairly and ethically, making sure we promote competition in business, protect our customers' interests and avoid situations that may, or may appear to, create a conflict of interest.

Our policy and commitment

Our commitment to fair competition is defined within our Business Conduct and Ethics Policy Statement, supporting standards and related operating procedures.

In summary, we strive to:

- ensure we do not abuse any dominant market position we may have, obtain competitive intelligence through improper means, or enter into any agreements, arrangements or concerted business practices which appreciably prevent, restrict or distort competition; and
- engage with competitors and trade associations with appropriate caution.

Key components in our governance

- Our Business Lifecycle defines the governance process we must apply to achieve commercial rigour – seeking to manage risk and enabling transparent and well-informed decision-making. The lifecycle covers business development, sales and marketing, bidding and solution development. Our Divisional Business Lifecycle Review Teams ensure the requirements and spirit of each relevant standard in the Serco Management System are met and accounted for.
- Our Divisional Legal Representatives advise on and record competition and anti-trust matters, using legal advisers in accordance with local practice to provide additional advice and guidance on issues relating to competition and anti-trust law and their application.
- Fair competition is included in our Code of Conduct and 'Serco Essentials plus' training programme.

For our Ethics Compliance governance, which covers any items relating to fair competition, see also: [Behaving with integrity and treating people with respect](#) (page 15)

Our progress

We have:

- launched and begun to embed our new Organisational Conflicts of Interest procedure and Register;
- developed and launched a new Personal Conflicts of Interest Register, embedding it in our onboarding process for new starters and in annual declarations by management and those in specific roles; and
- developed targeted training for high-risk roles.

Performance indicators		2018	2019
Upheld cases of anti-competitive behaviour	Number	0	0

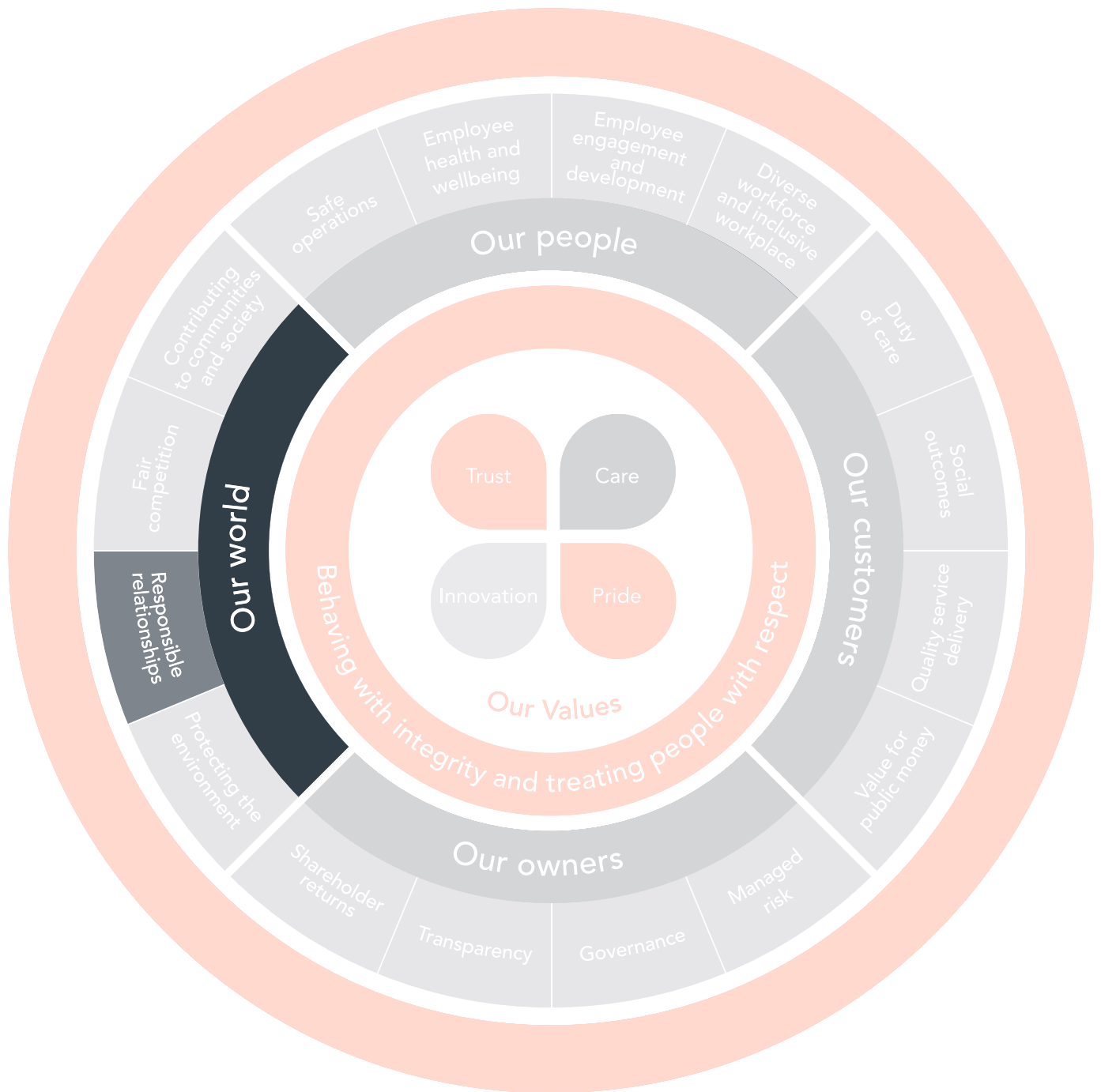
For all CR performance data and commentary, see: [Corporate Responsibility Performance Indicators](#) (page 78).

Our next steps

In addition to delivering our ongoing processes, programmes and schedules of continuous improvement, we plan to deploy our new training for high-risk roles.

Serco corporate responsibility report 2019

Responsible relationships



Responsible relationships

What responsible relationships means to us

We seek to build honest, respectful and transparent relationships with customers, partners and suppliers – requiring that they follow regulatory compliance and share our ethical standards and commitment to sustainability throughout the supply chain.

Our policy and commitment

Our commitment is defined within our Ethics Compliance strategy, Business Conduct and Ethics and Procurement Policy Statements, supporting standards and related operating procedures.

In summary, we strive to:

- only work with customers, partners and suppliers who respect our Values and meet our standards of business conduct and ethics;
- complete legal, ethical and human rights due diligence on proposed key third parties, relating to any aspect of our Business Lifecycle, and conduct ongoing monitoring throughout the lifetime of the relationship;
- complete robust analysis of requirements and establish a clear management structure (aligned to the Serco Management System and overall strategies for each business opportunity) for third-party arrangements considered necessary to meet contract requirements, including joint ventures, strategic partnerships and consortium arrangements;
- apply robust supplier sourcing and selection criteria, and monitor supplier performance to inform relationship management and identify opportunities for improvement; and
- ensure small firms, voluntary and community organisations, and social enterprises are actively encouraged to be members of Serco's supply chain.

Key components in our governance

- Our Investment Committee provides formal oversight and approval of contractual structures and arrangements for partner/ strategic relationships, whilst Divisional Executive Management Teams are responsible for managing these relationships, including regular strategy and performance review meetings with partners, supported by members of the Executive Committee and plc Board as appropriate.
- Divisional Legal Representatives manage contractual arrangements with customers, partners and suppliers.
- Our Procurement and Supply Chain Function delivers consistent procurement processes in the selection and management of suppliers, ensuring compliance with laws and regulations, our ethical standards, Code of Conduct and human rights throughout our supply chain.
- Our Supplier Code of Conduct clarifies our requirements and expectations regarding our suppliers and their facilities, wherever they are located.

For our Ethics Compliance governance, which covers any items relating to responsible relationships, see also: **Behaving with integrity and treating people with respect** (page 15)

Our progress

We have:

- transformed our global procurement function, which will help us mitigate supplier risks more effectively, partly by enabling us to leverage the strategic capabilities and global scale of a new third-party procurement delivery partner;
- reported our Serco Limited supplier payment performance – as reported, we paid 88% of invoices on time in 2019, up 5 percentage points from 2018;
- commenced a review of our small and medium-sized suppliers to identify opportunities for improved management in line with new UK regulations;
- upgraded our third-party due diligence process to adopt a risk-based approach and implemented a revised screening tool to enable more proportionate due diligence per third party;
- revised procedures for the due diligence and monitoring of suppliers, agents and strategic partners, and published new due

- diligence guidance for new country entry;
- reviewed our management approach to Company agents, identifying opportunities for improvement;
- strengthened our Tier 1 supplier reviews and enhanced our onboarding questionnaire;
- developed a more in-depth due diligence questionnaire for high-risk suppliers regarding modern slavery; and
- worked with Stronger Together (www.stronger2gether.org), to validate our high-risk supply categories and identify opportunities for improved supply chain management.

Performance indicators		2018	2019
Third party due diligence screening			
Third parties validated	Number	7,867	5,253
Third parties pending review	Number	191	1,092
Third parties disqualified	Number	1	0

For all CR performance data and commentary, see: **Corporate Responsibility Performance Indicators** (page 78)

Our next steps

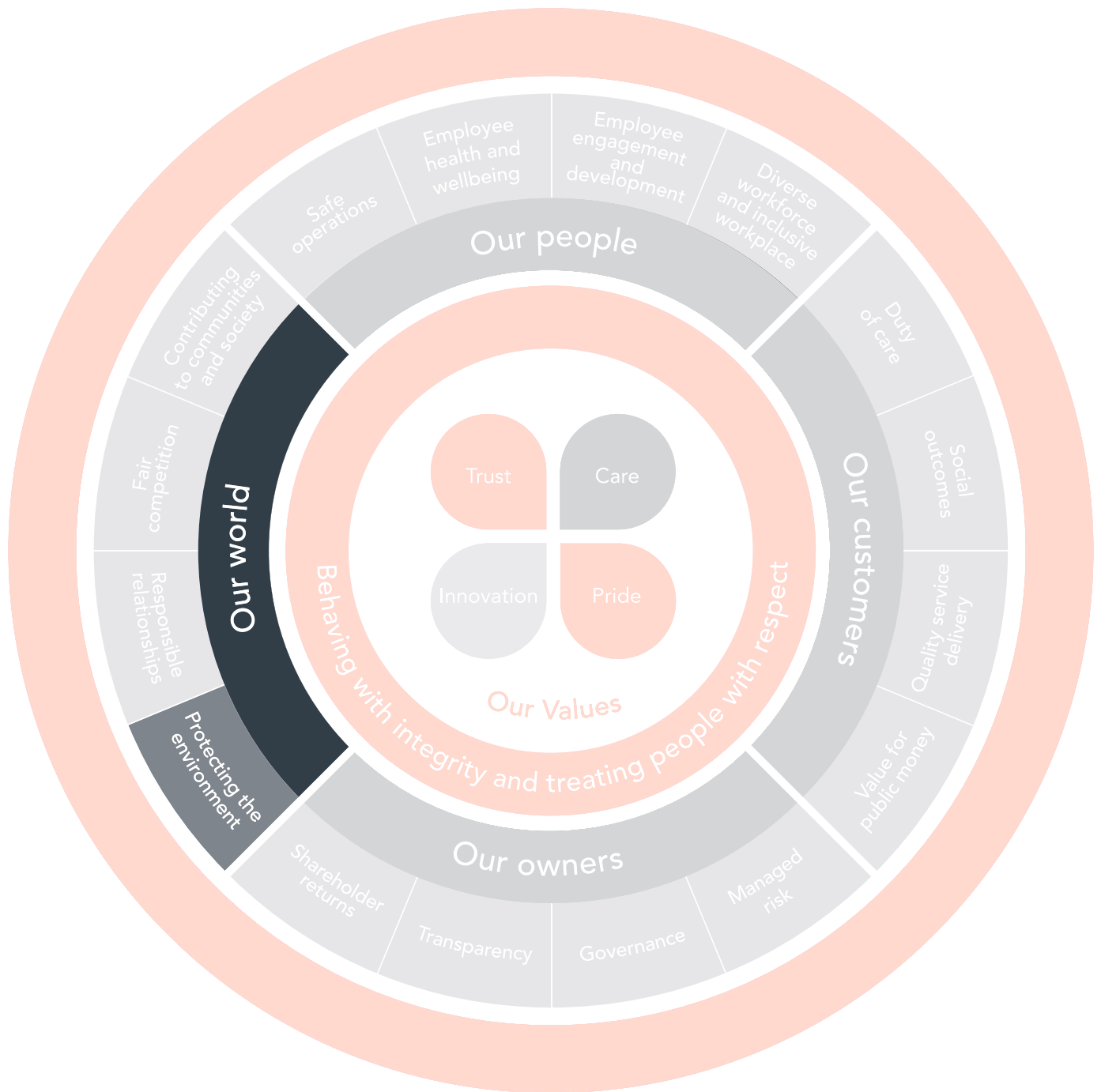
In addition to delivering our ongoing processes, programmes and schedules of continuous improvement, we plan to:

- complete the implementation of our new third-party due diligence process and screening tool, including improved customer segmentation;
- conduct a compliance review of all joint venture and strategic partner management;
- continue cleansing our supplier base and revisit our plans to implement a supplier relationship management solution across the Group;
- continue working with Stronger Together on how we engage Tier 1 suppliers regarding their Tier 2+ suppliers and their management of modern slavery risks; and
- explore how we can better adopt sustainable procurement principles such as: use of whole-life costing and accounting, reducing energy consumption in operation and reduced packaging, and purchasing products that meet minimum environmental standards.

Serco corporate responsibility report 2019



Protecting the environment



Protecting the environment

What protecting the environment means to us

We are committed to limiting the impact of our operations on the environment through more sustainable business practice for our customers and wider stakeholders.

Our policy and commitment

Our commitment is defined within our Health, Safety and Environment (HSE) strategy, HSE Policy Statement, supporting standards and related operating procedures, aligned to the ISO14001:2015 standard on Environmental Management.

In summary, we strive to:

- identify, assess and actively manage the environmental hazards, impacts and risks that arise from our activities and services, investigating incidents and monitoring performance and systems;
- minimise adverse environmental impact through the implementation of environmental management systems that are proportional to each contract, aligned to customer specification and contractual requirements, and underpinned by the Serco Management System;
- actively encourage input from employees and others to build sustainable solutions, helping us make decisions based on a deep understanding of work conditions and constraints;
- promote a commitment to the environment based on active and caring leadership and mutual trust, innovation and pride;
- regularly review, learn and identify opportunities for continual improvement at all levels of governance.

Key components in our governance

- The Serco plc Board has ultimate responsibility for HSE, assisted by our Corporate Responsibility Committee (CRC) – which provides formal review and oversight of HSE strategy and effective delivery against agreed objectives and targets – and our Group HR Director, Group Executive Sponsor for HSE.
- The CRC, Executive Committee and Divisional Executive Management Teams (EMTs) review quarterly operational and strategic HSE performance reports. HSE data is also included in:
 - » monthly Business Performance Reviews by Divisional Chief Executive Officers (CEOs) and Business Unit Managing Directors; and
 - » Divisional Performance Reviews by the Group CEO, Group Chief Financial Officer and Divisional CEOs.
- Our Group Director of Business Compliance and Ethics is responsible for HSE strategy design, management and execution and the development and maintenance of associated policy and governance. The Group Director of Business Compliance and Ethics chairs our global HSE Oversight Group (including Divisional HSE Leads), which meets regularly to discuss strategic and operational performance and share best practice.
- Divisional EMTs are responsible for appropriate Divisional adherence to policy and standards and managing associated risks, while Divisional HSE Leads are responsible for implementing policy and governance across the Division. In addition, we have c.150 operational HSE leads, supported by a small team of Environment, Energy and Sustainability experts, advising on HSE issues whilst ensuring Company policy and management systems are properly applied and aligned to business requirements.
- Our contract-level Planned General Inspections plus independent compliance assurance reviews and internal audit programmes provide comprehensive coverage of environmental issues.
- We gain external independent review of performance via certification to the ISO14001:2015 standard on Environmental Management in pertinent areas of our operations. We are also audited globally to the ISO14064-3:2006 standard on validation and verification of Greenhouse Gas assertions, providing assurance on our annual carbon reporting.

Our progress

We have:

- strengthened our environmental leadership across the organisation, appointing Anthony Kirby, Group HR Director, our Group Executive Sponsor for HSE;
- continued to monitor emerging environmental risks and reviewed our strategy to ensure our environmental management remains adequate and relevant, and that we are building a culture of environmental stewardship that drives improvements proportionate to the risks and impacts of specific operations. Our main areas of focus remain:
 - » driving decarbonisation and building climate change resilience;

- » sustainable resource use, resource efficiency and waste reduction;
- » local environment protection and enhancement, including pollution prevention;
- benchmarked our approach to climate change via the annual Carbon Disclosure Project (CDP) climate change questionnaire, achieving a score of C;
- commenced reporting in line with The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018;
- continued working with our supply chain partners to improve practice regarding measuring, managing and reporting on the Scope 3 (indirect emissions) products and services category; and
- celebrated World Environment Day in June with the cross-Divisional theme of tackling air pollution.

Performance indicators		2018	2019
Scope 1 - Combustion of fuels and operation of facilities	tCO ₂ e	176,254	181,413
Scope 2 - Grid electricity purchased for own use (location-based)	tCO ₂	83,560	85,481
Headcount intensity (Scope 1+2)	tCO ₂ e/FTE	5.80	5.87

For all CR performance data and commentary, see: **Corporate Responsibility Performance Indicators** (page 78). Classification of reporting boundaries are set out in our Basis of Reporting document, available on our website, www.serco.com

Our next steps

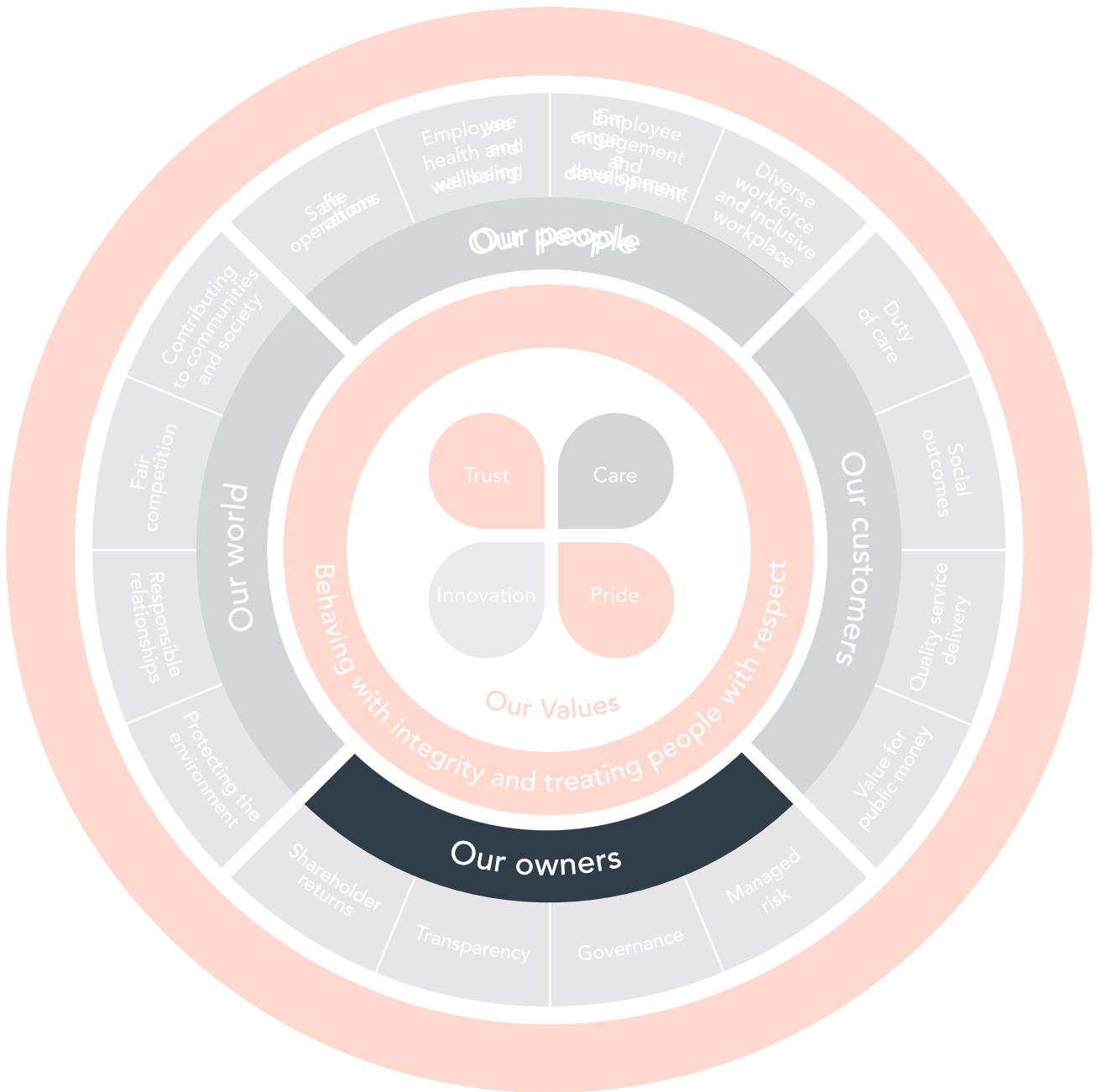
In addition to delivering our ongoing processes, programmes and schedules of continuous improvement, we plan to:

- update our environmental strategy – sharpening our focus on delivering Group energy, environment and sustainability commitments at Business Unit level and through our supply chain;
- explore new opportunities to enhance the depth and breadth of our environmental reporting, including our compliance and performance against the Task Force on Climate-related Financial Disclosures, building on preliminary analysis undertaken in 2019;
- review our approach to categorising our contracts for environmental reporting; and
- continue reviewing Group-level carbon target opportunities whilst monitoring Divisional action planning and delivery to ensure we continue to drive improvement in our most energy and carbon intensive contracts.

Serco corporate responsibility report 2019



Our owners



For more information about where we perceive that we are contributing to the UN Sustainable Development Goals, see pages 8 to 9.

Our owners

Serco is a Public Limited Company (PLC), incorporated in the UK and listed on the Main Market of the London Stock Exchange (LSE). Our owners are those who hold our shares. Our issued share capital consists of a single class of shares which carry no right to fixed income. Each ordinary share of the Company carries one vote at our general meetings.

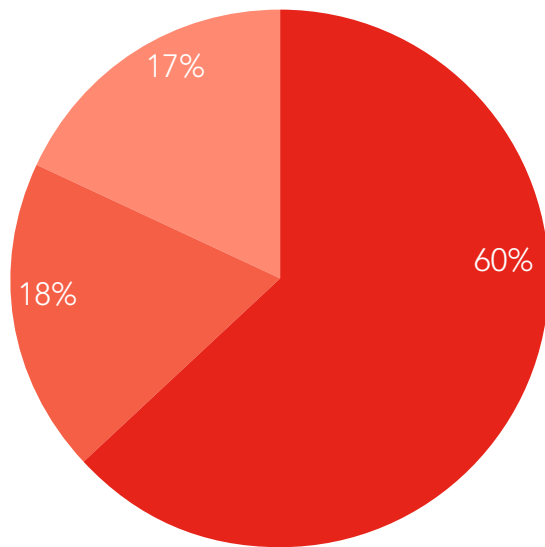
Serco's 'free float', representing the portion of shares that can be publicly traded without restriction, is 100%. Our share capital at 31 December 2019 was 1,223,380,637 ordinary shares and the closing price on the LSE at that date was 161.9p, representing a market capitalisation or equity value of the Company of £1,981m.

Serco's ownership profile is heavily weighted in value terms to institutional shareholders. Private shareholders holding in their own name on the share register represent only around 1% of the Company ownership, with private brokers and wealth managers representing a further 4%. Our mix of 95% institutional and 5% private shareholders is typical of the wider stock market. Our joint stockbroker, JP Morgan Cazenove, define institutional investors as investment firms with a mandate to manage unitised retail funds, investment trusts, corporate retirement funds and hedge funds.

Our ownership concentration is further demonstrated in Figure 1, with around 78% of the shares held by the 20 largest institutional shareholders (at group level for each investing institution). This is modestly more concentrated than typical for the FTSE 250, which would be around 75%. This is partly a reflection of Serco being a relatively smaller company, which tends to result in higher shareholder concentration. The greater concentration is driven at the very top of the register. For more information on our largest shareholders, please see our Directors' Report in the Serco Annual Report 2019 (specifically interests in voting rights, on page 153).

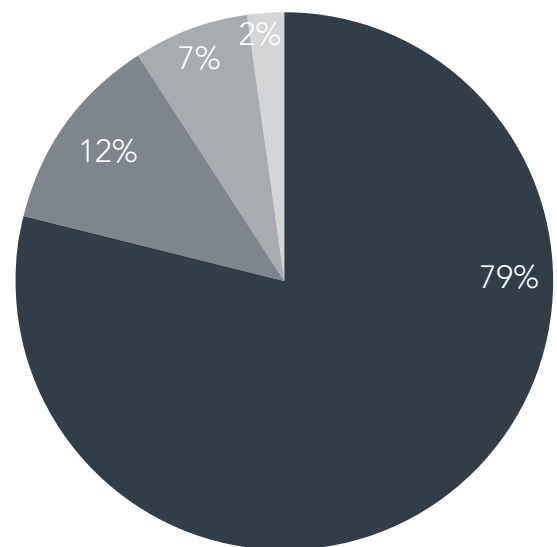
The geographic ownership of Serco is demonstrated in Figure 2, with Serco attracting a greater proportion of shareholders from the UK and Europe than the average for the FTSE 250 index.

Figure 1: Concentration of our ownership



- 10 largest institutional managed funds
- Next 10 largest
- All other institutional shareholders

Figure 2: Our geographic ownership



- UK
- North America
- Rest of EU
- Rest of world

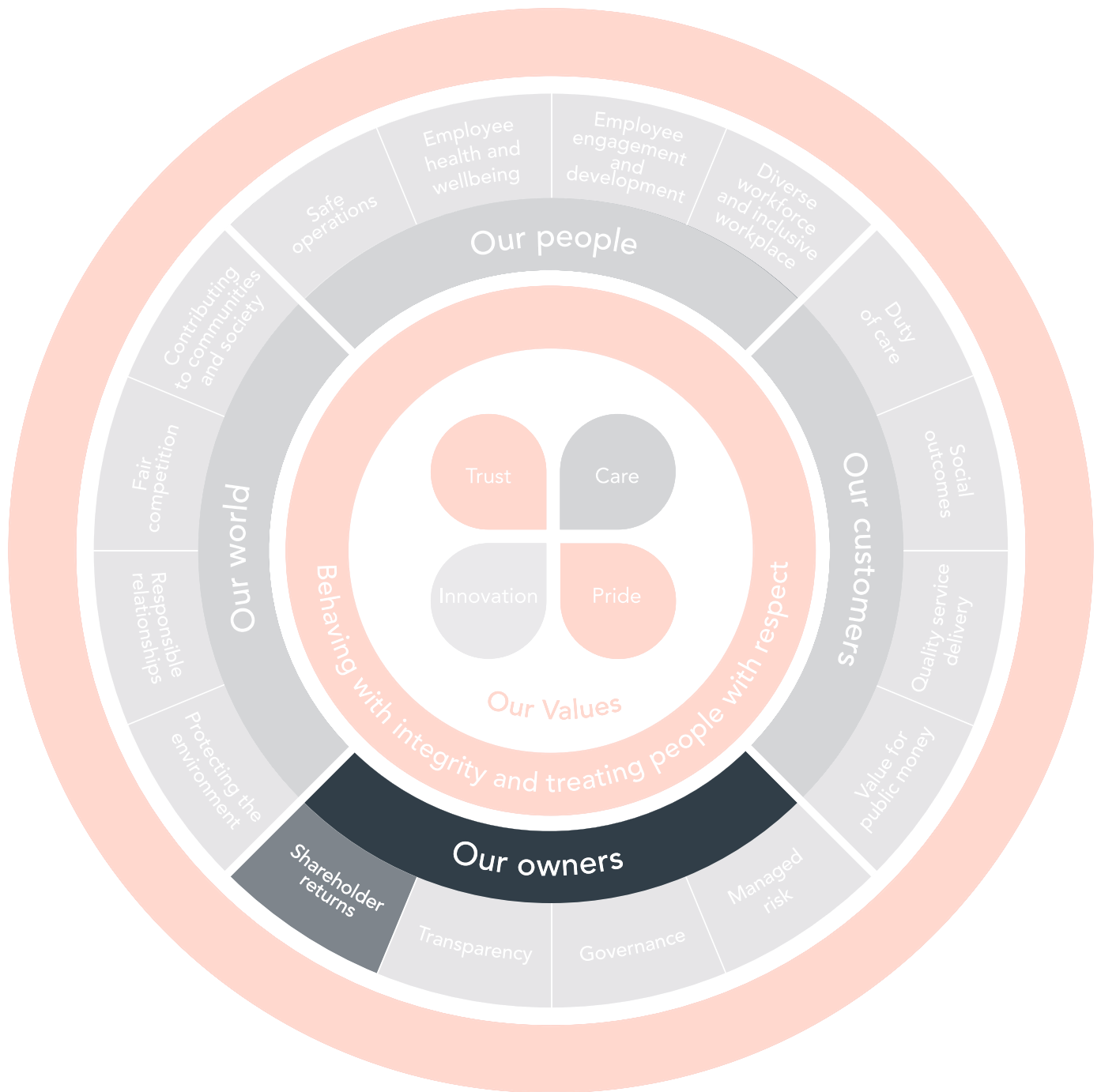
We recognise that meaningful engagement with our owners is integral to our continued success. We therefore seek long term relationships based on transparency, honesty and clarity. We are committed to open and regular engagement with our institutional and retail shareholders. For more information about how we achieve this, see: [Transparency](#) (page 72).

Honouring our relationship with Serco's owners is a key responsibility and determinant of being successful and sustainable. We are determined to protect and maximise our shareholders' interests, and do so through a focus on shareholder returns, how we manage risk and a commitment to transparency.

Serco corporate responsibility report 2019



Shareholder returns



Shareholder returns

What shareholder returns means to us

We focus on creating long-term, sustainable value – protecting the interests of our owners alongside those of our employees, customers and the communities in which we operate.

Our policy and commitment

We focus as much on the preservation and growth of the business as on the maximisation of shareholder value. We believe that in a free market system, and in the long term, the two will automatically coincide, even if there is some short-term divergence.

Delivering sustainable, profitable growth is therefore central to appropriate delivery of shareholder returns, and our performance framework is structured accordingly.

In summary, we strive to:

- ensure a balanced performance framework that recognises value must be delivered to our shareholders as well as our customers and the people who work in the business;
- align remuneration and incentive arrangements to long-term, sustainable value creation; and
- implement the new strategy presented to shareholders in March 2015 and deliver our five-year plan to achieve our purpose of becoming a trusted partner of governments, delivering superb public services that transform outcomes and make a positive difference for our fellow citizens.

Key components in our governance

- Our performance framework does not explicitly include ‘maximising shareholder value’. Instead, shareholder value is expected to coincide automatically with the appropriate achievement of ‘our deliverables’. Just as each component in the performance framework is expected to support achieving our deliverables, they are also expected to deliver shareholder returns in the long term.
- Short-term incentives include a mix of financial measures as well as key strategic goals aligned to generating long-term shareholder value, whilst long-term incentives directly include: relative total shareholder return (TSR) as an explicit performance measure; earnings per share (EPS) growth; return on invested capital (ROIC); employee engagement; and progress with increasing our order book. Taken together, we consider these five measures to be the most appropriate for sustainable shareholder value generation.
- Our Remuneration Committee has set personal shareholdings guidelines and requirements for our senior management team to support long-term commitment to Serco and the alignment of employee interests with those of our shareholders.
- Safeguarding shareholders’ investments, along with our assets, our people and our reputation, is paramount. For more information about how we manage and mitigate our collective business risks, see: **Managed risk** (page 75).

Our progress

As shareholders have not received dividend income in recent years, TSR is reflected in share price performance (SPP) only. Point-to-point SPP has been -31%, -3% and +69% from start to end of the financial years 2017, 2018 and 2019, respectively.

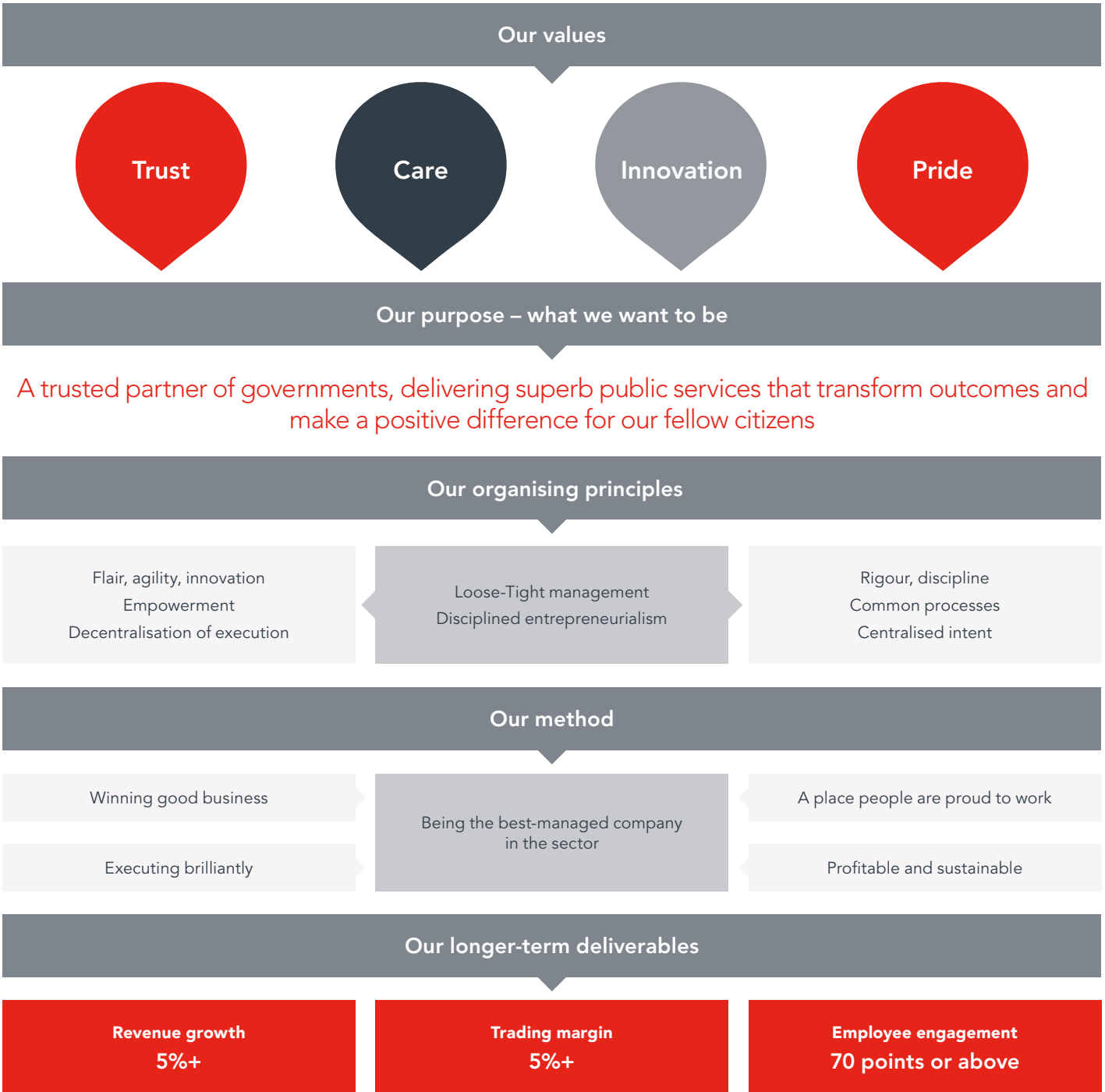
SPP is influenced by many factors: financial and non-financial, historic and prospective, and related specifically to Serco and to the wider stock market. However, the earnings and returns on invested capital delivered are considered important to SPP. Underlying diluted EPS performance was -17%, +55% and +18% for 2017, 2018 and 2019, respectively, whilst underlying ROIC has been at 9.6%, 13.6% and 15.4% for these three years. The Group’s order book was £10.7bn at the end of 2017, increasing to £12.0bn for 2018 and £14.1bn for 2019.

Our next steps

As set out in our guidance and outlook, we expect to deliver further strong growth in 2020, with Revenue of £3.4–3.5bn expected, which would represent total growth of 6–8%, and Underlying Trading Profit forecast to increase by about 20% to around £145m. In terms of our ambition of achieving margins of at least 5% over the longer term, we believe this is still achievable. We continue to deliver against our plans and make good progress against our strategy.

For more information and broader discussion and analysis on our progress and performance in 2019, as well as our guidance and outlook, see the **Serco Annual Report** (specifically: **Key Performance Indicators** on pages 9 to 11, **Chief Executive’s Report** on pages 22 to 34, **Directors’ Report** on pages 149 to 153 and **Financial Statements** on pages 155 to 240).

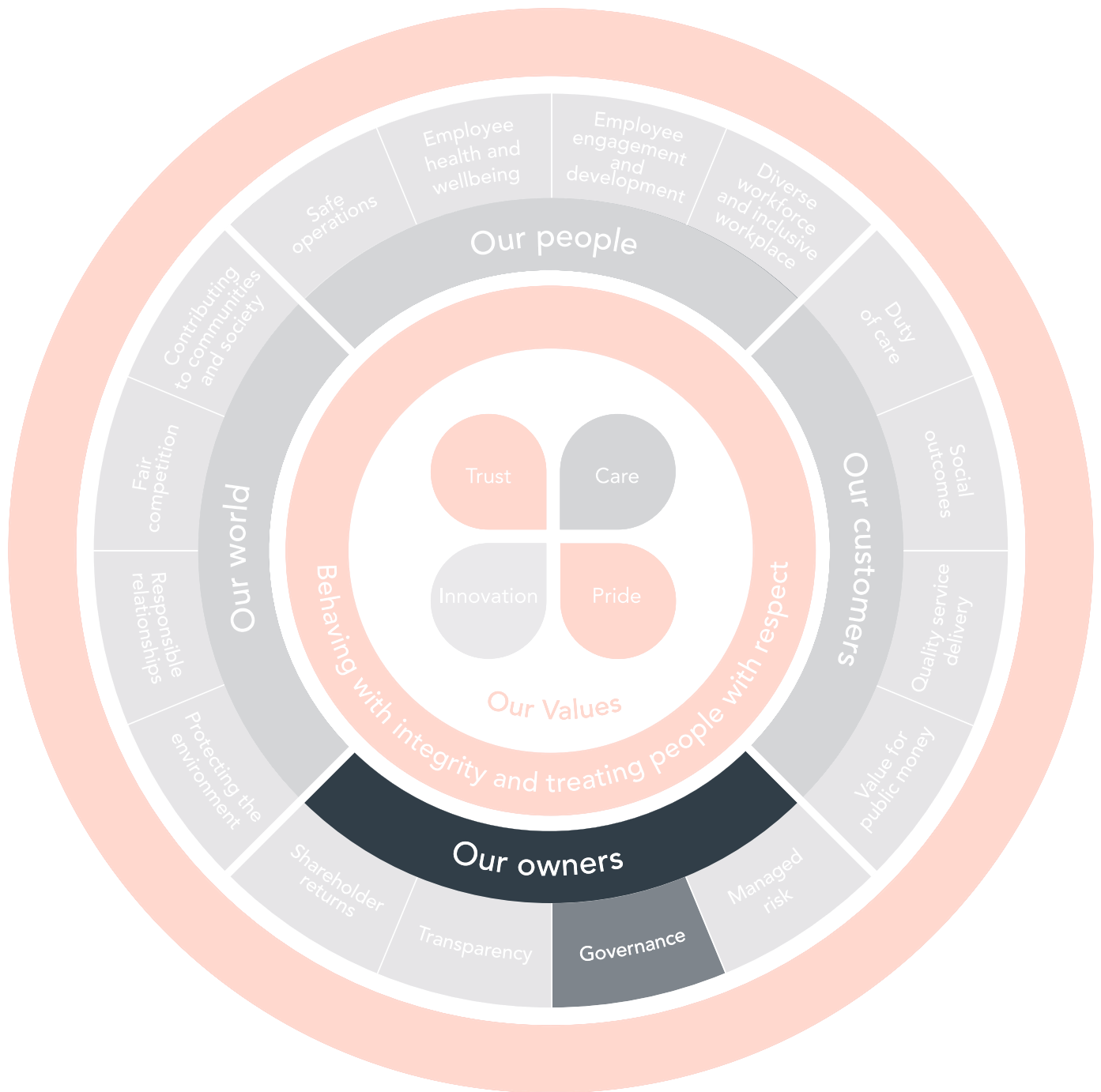
Our performance framework



Serco corporate responsibility report 2019



Governance



Governance

What governance means to us

We work within a structure of governance that seeks to enable effective direction, control and assurance of the business, including where and how we operate and how we manage our responsibilities to stakeholders.

Our policy and commitment

For Serco, governance is not an exercise in compliance, nor is it a specific form of management – it is an essential part of our public service ethos and ensuring we fulfil our purpose.

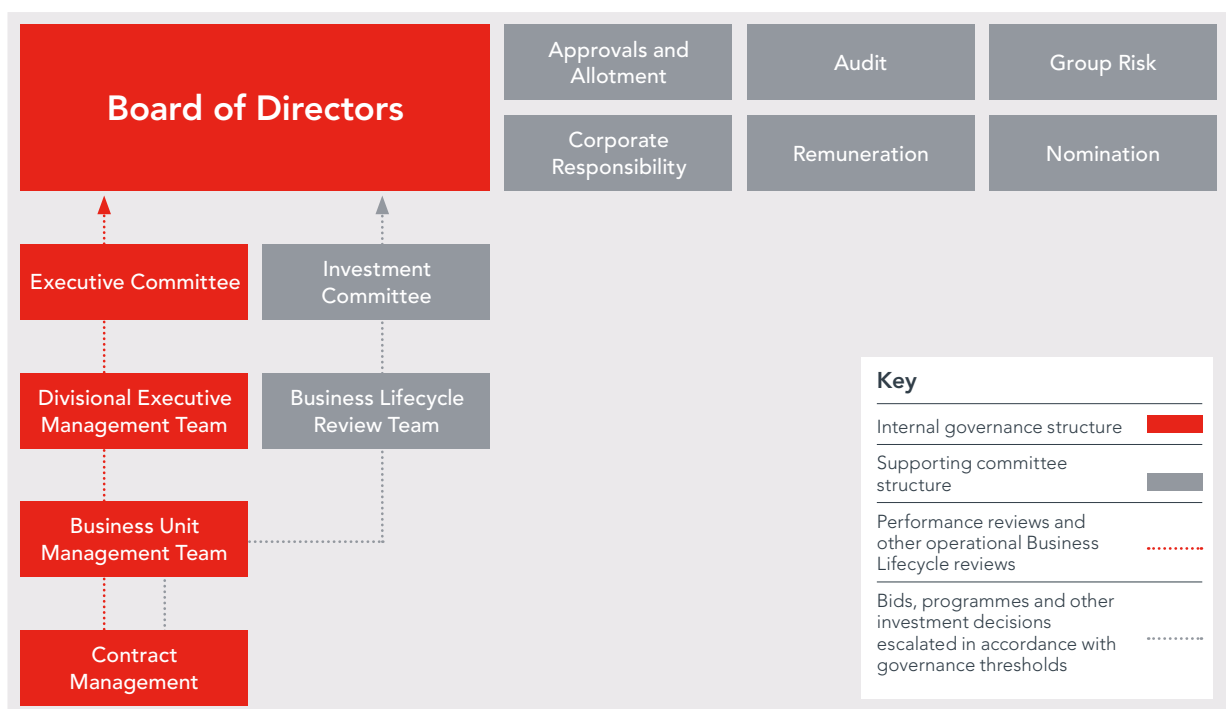
We have a comprehensive corporate governance framework, with clearly defined responsibilities and accountabilities to safeguard long-term shareholder value. Below this our management framework, the Serco Management System (SMS), defines ‘what’ we do through policies, standards and procedures whilst our Code of Conduct defines our expectations of ‘how’ we do it, underpinned by our Values and commitment to behave with integrity and treat people with respect.

Our commitment to governance is defined within our Governance Policy Statement, supporting standards and related operating procedures.

In summary, we strive to:

- maintain an effective system of internal control that ensures we operate safely and ethically and deliver quality services, and that safeguards the best interests of all our stakeholders, our assets and reputation;
- create an open and transparent environment where good behaviour is recognised and where poor behaviour, non-compliance and breaches of our minimum standards can be reported without fear and dealt with effectively, consistently and appropriately – without exception;
- maintain a management system which sets the policies, minimum standards and procedures that the business will operate within;
- manage our business within an organisational structure where responsibilities and accountabilities – including delegated levels of authority – are clearly defined and allocated appropriately;
- make sure our legal entities comply with relevant laws, properly record all commercial, business and legal transactions and retain material documents, and correctly report their business activities; and
- meet our regulatory commitments and obligations in relation to Serco’s listing on the London Stock Exchange.

Key components in our governance



Corporate governance: Board and Group level

- The Company's governance structure is illustrated above. There is a schedule of matters reserved for the Board, available at www.serco.com.
- The Board has delegated certain of its responsibilities to the Audit, Corporate Responsibility, Group Risk, Nomination and Remuneration Committees. The terms of reference for each are available at www.serco.com.
- In addition, there is a Disclosure Group which meets to consider the disclosure of information to meet legal and regulatory obligations under the Market Abuse Regulations.
- The Executive Committee is chaired by the Group Chief Executive and additionally comprises the Group Chief Financial Officer, Divisional Chief Executives, the Group General Counsel and Company Secretary, the Group HR Director and the Group Director of Strategy and Communications. The Committee has delegated responsibility from the Board to ensure the effective direction and control of the business and to deliver the Group's long-term strategy and goals.
- The Investment Committee comprises the Group Chief Executive, the Group Chief Financial Officer, the Group General Counsel and Company Secretary, and other members of the management team. It acts on behalf of the Board to review, monitor and approve bids, mergers, acquisitions and disposals and other corporate activity within specific authority limits delegated by the Board.
- The Approvals and Allotment Committee comprises the Group Chief Executive, the Group Chief Financial Officer and the Group General Counsel and Company Secretary. This Committee acts on behalf of the Board between Board meetings in respect of matters not specifically reserved to the Board.

Corporate governance: Divisional level

- Each Division is under the direction and control of its Divisional Chief Executive Officer (CEO), whose responsibilities include: Divisional strategy and structure; large bids and major capital expenditures; Divisional business plans, operating plans and targets; financial statements; adoption of the SMS; Divisional operating procedures; Divisional statements on internal controls and audit; health, safety, environment and security strategy, objectives and targets; and the Division's position on significant ethical issues.
- Divisional CEOs will define the management structure required in their Divisions to ensure that the appropriate decision-making takes place, within defined delegated authorities, and that there is an acceptable line of sight and reporting of risk, issues and performance from the contract base, bids and within functions to Business Units and to Division.
- Each Division maintains a Divisional Executive Management Team (EMT) to oversee and assess all aspects of operational, financial and strategic performance.
- Each Divisional EMT will establish Business Unit management teams to oversee and assess all aspects of operational, financial and strategic performance of contracts belonging to their Business Units.
- Each Business Unit Managing Director will appoint a Contract Manager or Director to manage the performance of a contract on a day-to-day basis, including managing employees, the customer, subcontractors and other relevant stakeholders, managing and reporting on operational and financial performance, and developing organic growth opportunities.

Serco Management System

The SMS is our management framework. It describes the 'what' through policies, standards and procedures that define the rules governing all our operations. It provides direction on compliance with relevant laws and regulatory requirements.

- Group Policies are owned by Group Functional Leads, signed by the Group Chief Executive and approved by the plc Board. They define our strategic commitments and apply across the Group.
- Group Standards reflect our Values and define the minimum standards we must achieve, focusing on mandatory requirements applicable across the Group.
- Group, Country, Divisional and Local Operating Procedures (GSOPs, CSOPs, DSOPs and LSOPs) build on these foundations within the SMS, providing direction and guidance on how to achieve mandatory requirements and comply with relevant laws and regulations in the countries where we operate. Standard Operating Procedures are sensitive to local customs, traditions and cultures.

Employee and manager responsibilities regarding SMS compliance are clearly defined and all employees complete appropriate SMS, Code of Conduct and Values training on joining Serco and periodically during their employment. Our Group Consequence Management Standard defines how instances of non-compliance are managed.

To read our Group Policies, please visit: www.serco.com/about/our-policies

Three Lines of Defence

To provide management assurance, a 'three lines of defence' model has been implemented to test business compliance. Each level of assurance informs our risk management process and the delivery of local, regional and Group improvements.

- **1st line of defence:** At an operational level, local controls are implemented to seek to ensure customer, legal and regulatory requirements are met. An annual SMS self-assessment process is undertaken by all Contracts and support functions across the Group which helps managers increase their understanding of SMS requirements and improve compliance with SMS controls.
- **2nd line of defence:** A programme of Division-led compliance assurance reviews test compliance with SMS controls and support management of our risks. These reviews are carried out at Contract, Business Unit and Divisional levels.
- **3rd line of defence:** Internal Audit provides independent review (sometimes delivered by independent external parties working under Internal Audit's direction) of the design and operating effectiveness of our processes and controls. External Audit is also used to test control effectiveness in areas of the business where there is a customer or legal requirement.

Code of Conduct

Based on our Values, our Code of Conduct clearly and concisely defines 'how' we expect our operations to be delivered and the behaviours we expect across our organisation. It provides direction to ensure we are sensitive to local customs, traditions and cultures.

Our Code applies to everyone who works for and on behalf of Serco, regardless of role, location and background, and confirms what they can expect of us as well as what we expect of them.

To read our Code of Conduct, please visit: www.serco.com/about/serco-code-of-conduct

Our progress - Corporate governance

For the key activities of the Board of Directors in promoting effective governance and how the Company complied with the UK Corporate Governance Code during 2019, please see the **Corporate Governance Report** in our Annual Report, pages 104 to 123.

We have:

- completed the transfer and embedding of the core elements of our Corporate Renewal programme into our business as usual processes, controls and governance;
- extended our corporate governance framework to enable the complete, effective and timely delivery of key improvements in Financial Assurance, Compliance Assurance and Ethics Compliance:
 - » detailed objectives and delivery plans have been developed in consultation with all Divisions and approved by the plc Board;
 - » a group monitoring the development and delivery of the plans is in place under the Chair of the Group General Counsel;
 - » ultimate oversight is through the plc Board with the following focused on key elements:
 - Financial Assurance, led by the Group Head of Reporting and Financial Assurance with the Audit Committee of the plc Board assuming oversight;
 - Compliance Assurance, led by the Group Director Enterprise Risk with the Group Risk Committee of the plc Board assuming oversight; and
 - Ethics Compliance, led by the Group Director, Business Compliance and Ethics, with the Corporate Responsibility Committee of the plc Board assuming oversight;
 - » progress is reported to each Committee meeting as well as to the Group Executive Committee and the plc Board.

Our progress - Serco Management System and Code of Conduct

We have:

- completed our standard schedule of review and update of SMS documentation (Policies, GSOPs, Standards, and Forms & Guidance documents);
 - » This includes adding new GSOPs to suit evolving business needs (for example: 'Just Culture', 'Safety Leadership Tours' and 'Conflicts of Interest') and removing or consolidating GSOPs and supporting documents that are no longer relevant to the business.
 - » As of February 2020, the SMS comprises 16 Group Policy statements, 24 Group Standards and 39 GSOPs.

- improved access to and navigation of the SMS by making it more intuitive and user friendly, and placing content into one single online platform;
- delivered appropriate SMS and Code of Conduct training for all managers and employees – featuring new, refreshed and updated modules and refined content to drive engagement and impact in specific areas of focus – per our ongoing Group-wide programme of 'Serco Essentials' training; and
- taken appropriate action to manage any instances of non-compliance.

Our progress - Three Lines of Defence

We have:

- increased the focus on critical controls within our annual SMS self-assessment process and implemented these changes across the group;
- made changes to our compliance assurance reporting and corporate tool to improve the closure of actions;
- commenced a review of compliance assurance governance and capability across the organisation; and
- delivered the 2019 Internal Audit plan.

Our next steps - Corporate governance

For planned activities of the Board of Directors in promoting effective governance and how the Company will work to comply with the UK Corporate Governance Code during 2020, please see the **Corporate Governance Report** in our Annual Report, pages 104 to 123.

We plan to:

- execute those elements of our corporate governance framework now in place to enable the complete, effective and timely delivery of key improvements for Financial Assurance, Compliance Assurance and Ethics Compliance.

Our next steps - Serco Management System and Code of Conduct

We plan to:

- continue to review SMS business lifecycle documentation to ensure it remains fit for purpose and represents updated ways of working;
- implement a rolling function-by-function review of the SMS with a view to streamlining content;
- drive and assess understanding of and compliance with the SMS and Code of Conduct as appropriate at all levels; and
- review, improve and develop our SMS and Code of Conduct and all associated communication and education resources, including:
 - » launching an induction and refresher training video, 'Understanding the SMS', applicable to all employees.

Our next steps - Three Lines of Defence

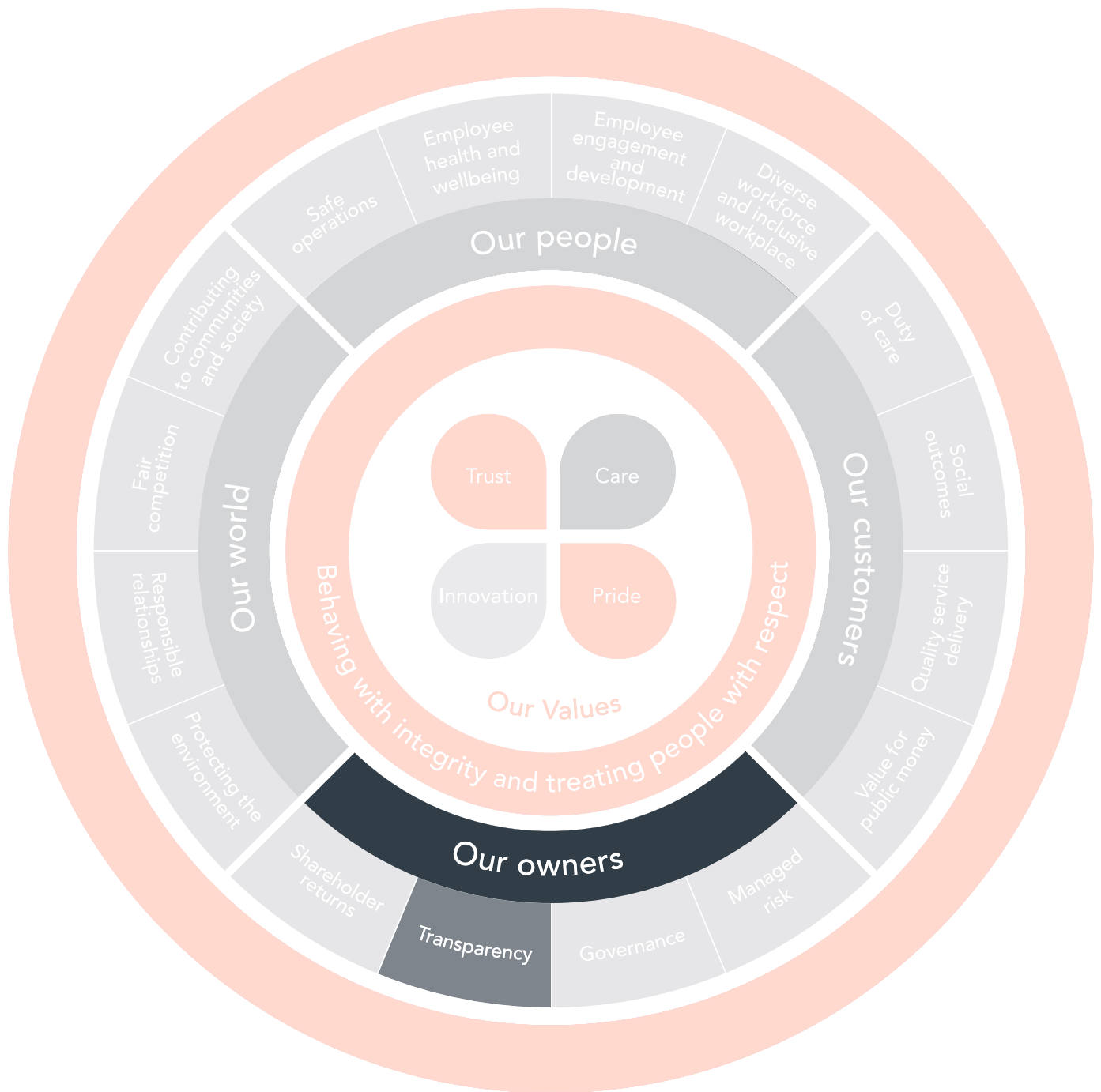
We plan to:

- complete our review of compliance assurance governance and capability;
- standardise responsibilities and associated competence requirements across Divisions;
- strengthen our compliance assurance by standardising our approach to the testing of critical controls across the Group;
- develop assurance maps mapping the Three Lines of Defence to risks;
- improve and formalise training available to the wider compliance assurance community;
- integrate assurance reporting with Enterprise Risk Management (ERM); and
- start the implementation of a two-year plan designed to further build on and enhance our Internal Audit capability.

Serco corporate responsibility report 2019



Transparency



Transparency

What transparency means to us

With investors, as with customers, we seek long-term relationships based on transparency, honesty and clarity – all of which are critical for building trust. We are therefore committed to open and regular engagement with our shareholders.

Our policy and commitment

We recognise that meaningful engagement with our institutional and retail shareholders is integral to our continued success. Our reporting strives to be fair, balanced and understandable – containing the information necessary for shareholders to assess our performance, business model and strategy.

Transparent communication requires high quality management information, which we have invested in to ensure we can report appropriately to all stakeholders, both internal and external.

In summary, we strive to:

- maintain open, meaningful dialogue with all our shareholders, and use a variety of communication means to update investors on performance and gain insight into shareholder views, including ensuring that Board members and the wider senior management team are available to address shareholder questions and views at our Annual General Meeting;
- provide meaningful insight into our results and prospects, and have management information systems that enable efficient and effective internal and external reporting; and
- base our approach to executive remuneration on a clear rationale in which the alignment of interests is recognisable and understandable.

Key components in our governance

- Primary responsibility for day-to-day Investor Relations activities and engagement with shareholders rests with the Group Chief Executive, Group Chief Financial Officer and the Investor Relations function.
- In addition, the Chairman may meet with some of our largest shareholders, whilst the responsibilities of the Senior Independent Director include providing an alternative point of contact for them. The Chair of the Remuneration Committee meets separately with advisory bodies and institutional shareholders to discuss our approach to remuneration.
- In order to maintain effective and ongoing dialogue regarding our performance, we conduct regular presentations, meetings and calls with institutional investors and analysts in addition to our Stock Exchange Announcements.
- Assurance of our reporting is a key responsibility of our Audit Committee, who in turn review guidance from bodies such as the Financial Reporting Council and are supported and challenged by our External Auditor.
- Our management information framework includes the contract performance monitoring process (tracking performance measures specific to each customer operation), our monthly management accounts and our Divisional Performance Review (DPR) processes. Ongoing development of these is key to improving internal and external transparency.
- The Board reviews regular Investor Relations reports, which highlight investor perspectives, share price movements, changes in the share register, our recent and planned Investor Relations activities, analyst recommendations and financial forecasts, and significant news from the market and the support services sector.

Our progress

We have:

- issued regular trading updates in addition to the requirement to report half- and full-year results;
- issued more than 30 announcements regarding contract awards or corporate transaction news;
- engaged with around 150 different investment funds – holding meetings with institutional investors and attending investor conferences as part of our programme of post-results roadshows and corporate access activity;
- hosted other events, such as meetings for analysts to engage with the wider operational management team of the business, or to hear broader perspectives on our sectors and markets, such as through the work of the Serco Institute; and
- were recognised for our commitment to transparency in rankings and awards including those for Institutional Investor magazine, the Investor Relations (IR) Society award for best IR relating to a corporate transaction and in Management Today's Most Admired Companies Awards – named leading Support Services business.

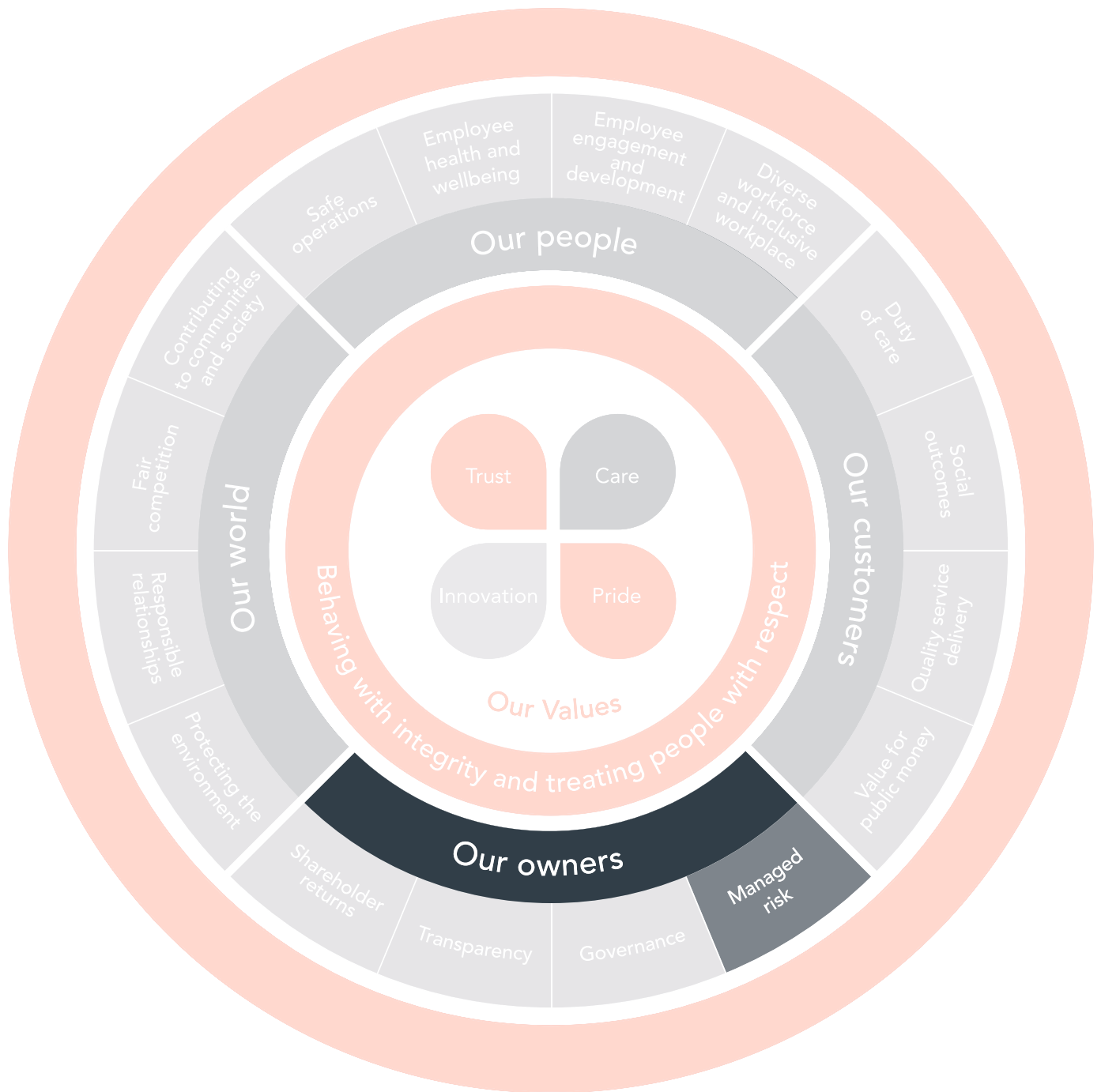
Our next steps

We will continue to deliver a comprehensive annual schedule of internal and external reporting, shareholder engagement and reporting assurance.

Serco corporate responsibility report 2019



Managed risk



Managed risk

What managed risk means to us

In order to achieve our strategic and business objectives, protect our stakeholder interests and maximise our returns, we seek to identify, manage and mitigate our exposure to risks through robust procedures and controls throughout the organisation.

Our policy and commitment

Our commitment is defined within our Risk Management Policy Statement, supporting standards and related operating procedures.

In summary, we strive to:

- support informed risk-taking that promotes business growth and success whilst recognising the risks associated with key decisions;
- embed systematic, structured and timely risk management in our organisational processes, linked to achievement of our objectives;
- gain early line of sight regarding increases in threat or exposure;
- maintain a robust control environment that reduces negative impacts to our business performance; and
- be dynamic, iterative and responsive to change, facilitating continuous improvement of our risk management through review and assurance.

Key components in our governance

- Our Group Risk Committee (GRC) sets the context for risk and organisational risk taking, providing oversight of Group-level risk management and principal risks. The GRC and Divisional Executive Management Teams (EMTs) review relevant risk registers quarterly, examining individual risks as required, with the Committee Chair updating the Board directly on GRC outcomes.
- The Group Director Enterprise Risk is responsible for reviewing and maintaining the Risk Management Framework, providing oversight and reporting on business risk and the performance of the framework.
- The Enterprise Risk Management (ERM) Function is custodian of the Group Risk Register and Compliance Assurance Programme, providing oversight and assurance over the effective implementation of material controls.
- Our Risk Management Lifecycle is mandated across the business and enables us to manage risk effectively, systematically and consistently.
- Divisional EMTs are responsible for reviewing and challenging risks facing Divisions and ensuring appropriate risk resources are in place, while Divisional Risk Leads are responsible for implementing the Risk Management Framework, policy, standards, procedures and key controls across the Division.

Our progress

We have:

- reviewed Group principal risks as planned to ensure they remain current, taking into consideration Functional and Divisional risk registers and any emerging risks that could threaten our strategy execution, business model, future performance, solvency and liquidity; and
- conducted 'deep dive' reviews of all our principal risks, focusing on the effectiveness of mitigation actions and the management of any gaps between current risk status and the Company's risk appetite.

As of the end of 2019 our Group principal risks are:

- Failure to grow profitably
- Failure to manage our reputation
- Financial control failure
- Major information security breach
- Contract non-compliance, non-performance or misreporting
- Failure of business-critical partner, supplier or sub-contractor
- Failure to act with integrity
- Failure to attract, engage and retain key talent
- Catastrophic incident
- Material legal and regulatory compliance failure

In addition, we have:

- strengthened our internal risk management capability;
- restructured our Group ERM function to bring together Insurance, Business Continuity, Compliance Assurance and Risk Management to progress the development of an ERM approach;
- commenced a Group-wide review of risk and compliance capability;
- focused on business continuity readiness through targeted testing and Executive Committee exercises;
- revised and simplified our Insurance strategy and broker support;
- reviewed internal and external emerging risks and assessed against our principal risks; and
- worked to deliver our principal risk mitigation priorities as identified in our 2018 report.

Our next steps

We will:

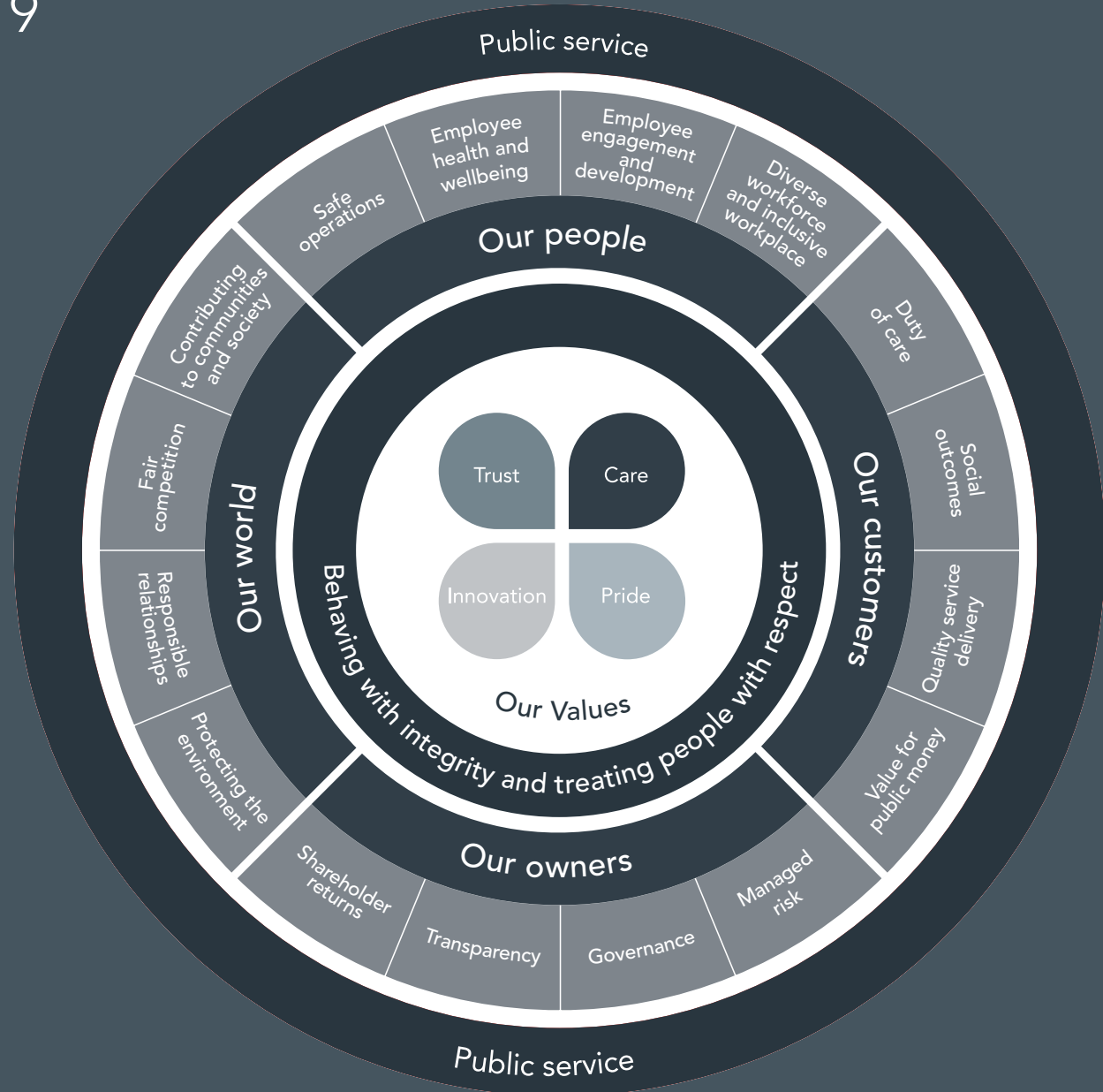
- continue to focus on progress to mitigation plans whilst conducting in-depth reviews of Group principal risks; and
- continue to develop and implement our ERM Model.

For items relating to our governance, see: **Governance** (page 67)

Serco Corporate Responsibility Report 2019



Corporate responsibility performance indicators



Corporate responsibility performance indicators

		2015	2016	2017	2018	2019	2018 v 2019	Var %	Comments
Our Values									
Employee engagement: Our Values	15-17: % 18-19: Avg. score	77	79	81	81	82	1	1.2	<p>¹ Represents employee engagement scores per one or more specific questions within our employee engagement survey.</p> <p>² Applies to all data from our 'Viewpoint' employee engagement survey. In 2018, our methodology for calculating employee engagement changed, aligned to our new survey provider. Pre-2018, engagement results represent the proportion of engaged employees expressed as a percentage. As of 2018, engagement scores represent the average response, with maximum potential scores of 100. It is not possible to adjust all our historic data to restate to the new methodology. However, analysis performed by our new survey provider indicates that engagement levels from 2017 to 2018 remained broadly stable.</p>
Behaving with integrity and treating people with respect									
Employee engagement: Business Integrity	15-17: % 18-19: Avg. score	69	69	69	73	75	2	2.7	See notes 1 and 2.
Upheld cases of corrupt behaviour	Number	0	0	0	0	0	0	-	
Upheld cases of human rights violations	Number	0	0	0	0	0	0	-	
Speak Up cases:									
Investigated	%	96	97	90	94	92	-2	-2.1	³ Where anonymous cases provide insufficient information, we are unable to investigate.
Corrective action taken	%	63	53	42	54	52	-2	-3.7	
Disciplinary action taken against one or more individuals involved in a case	%	24	16	9	18	24	6	33.3	
Dismissal of one or more individuals involved in a case	%	6	6	5	11	8	-3	-27.3	
Closed within three months	%	48	64	89	75	89	14	18.7	
Speak Up: cases closed (substantiation rate)	Number (%)			450 (43%)	498 (40%)	454 (37%)	-44	-8.8	
Our people									
Safe operations									
Employee engagement: Safety	15-17: % 18-19: Avg. score	71	73	75	77	79	2	3	See notes 1 and 2.
Lost Time Incident Frequency Rate	Per 1m hours worked	6.16	5.01	4.41	5.30	5.69	-0.39	-7	<p>⁴ A review of workers compensation insurance in Asia Pacific and Americas identified misalignment between reported incidents data and that held by insurers. Definitions have been aligned and historical data corrected (2015 – 2018). Correction in incident numbers has also impacted incident severity rate.</p> <p>⁵ Slips and trips remains the most common cause of Lost Time Incidents outside those related to violence and aggression. This has been an area of focus throughout 2019 and while there has been improvement within Health and Transport, challenges remain within Citizens Services, Defence and Justice & Immigration. This will remain an area of focus for 2020.</p>
Lost Time Incident Severity Rate	%	17.46	22.53	23.74	27.80	23.38	4.42	16	See note 4.

Corporate responsibility performance indicators

		2015	2016	2017	2018	2019	2018 v 2019	Var %	Comments
Major Incident Frequency Rate	Per 1m hours worked	0.43	0.40	0.45	0.50	0.39	0.11	22	See note 4.
Physical Assault Frequency Rate	Per 1m hours worked	7.32	7.04	8.96	13.13	8.09	5.04	38	⁶ Improvements primarily result from a continued focus on reducing violence and aggression within the UK custodial environment and reductions in associated Serious Physical Assaults. ⁷ A review of reporting accuracy against Group Standard Operating Procedure definitions has resulted in minor adjustments to historical data (2015 – 2018). 2019 has been checked. Significant improvement in 2019 against 2018 reflects the impact over time of a range of initiatives. This work will continue in 2020. ⁸ Significant improved performance following a lot of effort and several initiatives throughout 2019. Several initiatives established in 2018 were widened and a relationship between UK & Europe and Asia Pacific Justice & Immigration teams was established seeking to share best practice. Initiatives have included the 'Key worker' scheme, five-minute interventions, supported by use of batons and body worn cameras. This work will continue into 2020 with further rollout of devices to support control and restraint and establishment of drug misuse teams to reduce the impact of illegal substances on staff.
Serious Physical Assault Frequency Rate	Per 1m hours worked	0.50	0.95	0.87	1.32	0.63	0.69	52	See notes 7 and 8
Prosecutions	Number	1	0	0	0	0	0	-	⁹ 2015 data relates to an incident in 2011.
Fines paid	£'000	200	0	116	0	0	0	-	¹⁰ 2017 data relates to Dubai Metro: February 2017 (500,000AED) public hazard relating to escalator maintenance by a sub-contractor – fine paid by sub-contractor and revised work instructions implemented; August 2017 (100,000AED) unsafe lifting operations relating to glass movement in station – revised work instructions implemented.
Employee health and wellbeing									
Proportion of days lost to sickness	%	3.2	3.2	3.1	12.3	5.2	7.1	57.7	¹¹ Increase in 2018 reflects introduction of new absence management system and subsequent planned improvement in absence capture.
Employee engagement and development									
Employee engagement	15–17: % 18–19: Avg. score	53	54	56	67	71	4	5.9	See note 2.
People manager engagement	15–17: % 18–19: Avg. score	59	62	65	70	73	3	4.3	See note 2.
Leadership engagement	15–17: % 18–19: Avg. score	55	72	71	69	77	8	11.6	See note 2.
Employee engagement: Learning & Development	15–17: % 18–19: Avg. score	46	48	49	60	64	4	6.7	See notes 1 and 2.
Staff turnover	%	32.8	33.8	30.6	27.0	29.3	-2.3	-8.5	
Diverse workforce and inclusive workplace									
Employee engagement: Diversity & Inclusion	15–17: % 18–19: Avg. score	67	69	70	74	79	5	6.8	¹² Diverse workforce data is representative only of employees for whom relevant data is available. See notes 1 and 2.

Corporate responsibility performance indicators

		2015	2016	2017	2018	2019	2018 v 2019	Var %	Comments
Number of women:									
Serco Group plc Board	Number (%)	3 (30.0)	2 (22.2)	3 (30.0)	3 (33.3)	3 (33.3)	0	-	¹³ As of 2018, this data is based on that submitted to the annual Hampton-Alexander Review, UK. For 2019, the data was submitted in June 2019.
Executive Committee and Direct Reports	Number (%)	13 (16.7)	12 (17.1)	15 (21.7)	28 (31.8)	24 (31.6)	-4	-14.3	See note 13.
All other employee levels	Number (%)	21,165 (42.6)	18,798 (41.9)	18,129 (41.6)	18,960 (42.4)	20,896 (43.1)	1,936	10.2	
Number of men:									
Serco Group plc Board	Number (%)	7 (70.0)	7 (77.8)	7 (70.0)	6 (66.7)	6 (66.7)	0	-	See note 13.
Executive Committee and Direct Reports	Number (%)	65 (83.3)	58 (82.9)	54 (78.3)	60 (68.2)	52 (68.4)	-8	-13.3	See note 13.
All other employee levels	Number (%)	28,531 (57.4)	26,054 (58.1)	25,435 (58.4)	25,757 (57.6)	27,634 (56.9)	1,877	7.3	
Number of employees with disclosed disabilities	Number (%)	468 (1.3)	516 (1.2)	425 (1.0)	343 (0.8)	847 (1.7)	504	146.9	
Age profile									
16-24	%	9.5	9.1	8.7	8.5	8.9	0.4	4.7	
25-40	%	35.9	35.7	38.8	38.7	37.8	-0.9	-2.3	
41-54	%	29.2	29.2	31.4	29.8	29.1	-0.7	-2.3	
55-64	%	14.9	15.6	17.9	17.6	18.1	0.5	2.8	
65+	%	2.3	2.6	3.1	3.1	3.5	0.4	12.9	
Undisclosed	%	8.2	7.8	0.1	2.3	2.6	0.3	13.0	¹⁴ Reduction in 2017 reflects improvements in data availability resulting from new D&I strategy and focus on developing clearer and more robust data.
Our world									
Fair competition									
Upheld cases of anti-competitive behaviour	Number	0	0	0	0	0	0	-	
Responsible relationships									
Third-party due diligence screening									¹⁵ 2018 and 2019 data reflect business as usual addition of third parties following completion of initial due diligence review of all third parties completed in 2016 and 2017.
Third parties validated	Number	-	-	28,066	7,867	5,253	2,614	33.2	
Third parties pending review	Number	-	-	1,143	191	1,092	901	471.7	
Third parties disqualified	Number	-	-	3	1	0	-1	-100	¹⁶ Additional organisations disqualified because they are no longer used by Serco or there is a gap of 2+ years in the relationship: 173 in 2018; 136 in 2019.

Corporate responsibility performance indicators

		2015	2016	2017	2018	2019	2018 v 2019	Var %	Comments
Protecting the environment									
Carbon dioxide equivalent (Scope 1+2)	tCO ₂ e	298,986	291,883	253,655	259,814	266,894	-7,080	-2.7	¹⁷ Our reporting year for greenhouse gas emissions is one quarter behind our financial year, namely 1 October 2018 to 30 September 2019. We quantify and report to ISO 14064-1 2012, using an operational control approach to define our organisational boundary. The classification of reporting boundaries is set out in detail in our Basis of Reporting document, available on our website, www.serco.com. We report all material emission sources for which we consider ourselves responsible and have set our materiality threshold at 5%. Units reported: Mwh = megawatt hours of energy; tCO ₂ e = Tonnes Carbon Dioxide Equivalent; FTE = Full Time Employee.
UK	tCO ₂ e	-	-	189,059	191,329	193,387	-2,058	-1.1	¹⁹ Reduction of c.1,000 tCO ₂ e from NorthLink Ferries contract. Increase c.3,000 tCO ₂ e from increased operations in Future Provision of Marine Services contract.
Rest of world	tCO ₂ e	-	-	64,596	68,485	73,507	-5,022	-7.3	²⁰ New Hong Kong tunnel contract added c.4,500 tCO ₂ e. Increased scope of reporting in Americas added c.1,000 tCO ₂ e.
Scope 1 – Combustion of fuels and operation of facilities	tCO ₂ e	162,197	182,819	174,289	176,254	181,413	-5,159	-2.9	
Total UK	tCO ₂ e	-	-	164,663	169,759	175,681	-5,922	-3.5	
Total Rest of world	tCO ₂ e	-	-	9,626	6,496	5,732	764	11.8	
Gas	tCO ₂ e	26,215	28,188	25,680	26,381	26,658	-277	-1.0	
UK	tCO ₂ e	-	-	25,256	25,449	26,279	-830	-3.3	
Rest of world	tCO ₂ e	-	-	424	932	379	553	59.3	
Petrol	tCO ₂ e	600	3,860	2,862	4,067	3,162	905	22.3	
UK	tCO ₂ e	-	-	612	612	279	333	54.4	²¹ UK & Europe reporting system changed for company car / private mileage, more precision to identify type of fuel / size of vehicle which has changed conversion factors applied.
Rest of world	tCO ₂ e	-	-	2,250	3,455	2,883	572	16.6	
Diesel	tCO ₂ e	28,393	27,931	23,965	24,633	27,753	-3,120	-12.7	
UK	tCO ₂ e	-	-	19,526	24,237	27,466	-3,229	-13.3	See note 21.
Rest of world	tCO ₂ e	-	-	4,440	396	287	109	27.5	
Fuel oil									
UK	tCO ₂ e	-	-	182	221	339	-118	-53.4	

Corporate responsibility performance indicators

		2015	2016	2017	2018	2019	2018 v 2019	Var %	Comments
Burning oil / Kerosene	tCO ₂ e	2,106	680	463	384	1,098	-714	-185.9	
UK	tCO ₂ e	-	-	462	384	1,098	-714	-185.9	
Rest of world	tCO ₂ e	-	-	1	0	0	0		
LPG / Propane	tCO ₂ e	477	2,137	2,198	1,672	2,131	-459	-27.5	
Rest of world	tCO ₂ e	-	-	2,016	1,451	1,792	-341	-23.5	
Gas oil	tCO ₂ e	1,496	2,089	3,199	2,973	1,899	1,074	36.1	
UK	tCO ₂ e	-	-	3,199	2,973	1,899	1,074	36.1	
Rest of world	tCO ₂ e	-	-	0	0	0	0	-	
Specialist marine fuel	tCO ₂ e	102,493	117,656	115,652	115,883	118,480	-2,597	-2.2	
UK	tCO ₂ e	-	-	115,652	115,883	118,480	-2,597	-2.2	
Rest of world	tCO ₂ e	-	-	0	0	0	0		
Fugitive emissions	tCO ₂ e	417	278	270	263	232	31	11.8	
UK	tCO ₂ e	-	-	270	263	232	31	11.8	
Rest of world	tCO ₂ e	-	-	0	0	0	0	-	
Scope 2 – Grid electricity purchased for own use (location-based)	tCO ₂ e	136,789	109,064	79,366	83,560	85,481	-1,921	-2.3	
UK	tCO ₂ e	-	-	23,900	21,308	17,707	3,601	16.9	²² UK electricity conversion factors reduced by 10%.
Rest of world	tCO ₂ e	-	-	55,466	62,252	67,774	-5,522	-8.9	
Energy consumption used to calculate Scope 1+2 emissions	Mwh	-	-	873,287	891,931	918,740	-26,809	-3.0	²³ 2017 and 2018 restated to exclude Scope 3 electricity.
UK	Mwh	-	-	763,268	772,007	792,086	-20,079	-2.6	
Rest of world	Mwh	-	-	110,019	119,924	126,654	-6,730	-5.6	
Headcount intensity (Scope 1+2)	tCO ₂ e/FTE	5.16	5.98	5.56	5.80	5.87	-0.07	-1.2	²⁴ 2018 re-stated to 5.80 from 5.53 to include Middle East residential consumption.
Scope 2 – Grid electricity purchased for own use (market-based)	tCO ₂ e	-	-	70,629	80,832	81,583	-751	-0.9	²⁵ Expanded scope of measurement in 2017. Market-based electricity emissions are calculated using the conversion factors specifically from our suppliers generating assets where available.
Scope 3 – Business travel	tCO ₂ e	-	-	26,891	24,094	27,291	-3,197	-13.3	²⁶ Expanded scope of measurement in 2017. 2017 represents extrapolations by FTE to reflect global dataset and contrast against 2018 global dataset. 2018 and 2019 data are total Group data.
Air travel	tCO ₂ e	-	-	21,940	20,009	22,203	-2,194	-11.0	
Rail travel	tCO ₂ e	-	-	467	298	370	-72	-24.2	
Hotel stays	tCO ₂ e	-	-	2,436	1,943	2,459	-516	-26.6	
Private car / hire	tCO ₂ e	-	-	2,048	1,844	2,258	-414	-22.5	
Headcount intensity (Scope 3 Business travel)	tCO ₂ e/FTE	-	-	0.59	0.54	0.60	-0.06	-11.1	²⁷ 2018 restated to include 2018 UK and Europe hotel nights data, previous calculation used 2017 dataset.

Corporate responsibility performance indicators

		2015	2016	2017	2018	2019	2018 v 2019	Var %	Comments
Scope 3 – Electricity and gas upstream leased	tCO ₂ e	-	-	-	-	15,870	-	-	²⁸ Not previously reported – leased accommodation for Asylum Accommodation and Support Services Contract (UK).
Scope 3 – Electricity transmission and distribution loss	tCO ₂ e	-	-	6,567	5,810	5,878	-68	-1.2	
Scope 3 – Basic screening using Quantis Scope 3 evaluator	tCO ₂ e	-	-	1,208,078	1,258,528	981,237	277,291	22.0	²⁹ For many companies, more than 80% of their GHG impacts occur outside of their own operations. Quantifying and reporting these Scope 3 'value chain' emissions can be time/resource intensive, yet it is a growing stakeholder expectation and globally recognised as good practice. The Quantis Scope 3 evaluator tool was developed by World Resource Institute / World Business Council for Sustainable Development's GHG Protocol. It is designed as a first step screening process to encourage the measurement and reporting of value chain GHG emissions. 2019: Procurement spend reduced by 25%.
Scope 3 – % of overall Scope 1, 2 and 3 using Quantis evaluator	%	-	-	82.7	82.9	78.7	4.2	5.1	See note 29.
Carbon Disclosure Project	Score	99%	B	B	C	C	-	-	³⁰ New scoring mechanism introduced in 2015.
Prosecutions	Number	0	0	0	0	0	0	-	
Fines paid	£'000	0	0	0	0	0	0	-	
Enforcement notices	Number	0	0	0	0	0	0	-	

Notes:

Performance is based on data reported as at 17/02/2020, unless otherwise stated. Additional data may arise after this date. Where this occurs, numbers will be corrected in the following year's report.

All data is for the total Group unless otherwise stated. All data excludes joint ventures and historical BPO data to enable like-for-like comparison. Our private sector offshore BPO business was sold in December 2015.

Current performance levels are in line with benchmark targets for the geographies and markets in which we operate. However, we continue to try to improve them. Please refer to the 'progress' and 'next steps' sections throughout this report for details of any Group targets. Other targets are managed at local and regional levels.

Examples of energy efficiency action as required by Streamlined Energy and Carbon Reporting

In the 2019 reporting period, we have addressed energy usage in three of the largest contracts / business units across our global portfolio:

1. NorthLink Ferries Contract, Serco UK & Europe

Our NorthLink contract accounts for 38% of our global emissions through significant marine fuel use. In 2019 we successfully re-bid and secured the Contract for a further six years. Best practice interventions have been implemented by the contract / client (captured within our ESOS energy audit recommendations in 2014 and 2019) including the initiation of the cold-ironing project to provide shore to ship power when a vessel is berthed to reduce energy, carbon and air pollution when in port. Serco's element was completed in late 2019 and it is anticipated that the project will go live in 2020. Feasibility studies are likely to be initiated for other ports. We will track the benefits of this project in 2020 along with Transport Scotland (owner of vessels). A bespoke monitoring system has also been implemented to assist carbon reporting and help to evaluate performance on individual voyages, assess operational changes and benchmark vessel energy performance delivering significant energy savings.

2. Leisure Business Unit, Serco UK & Europe

Our Leisure Business Unit accounts for 8% of our global emissions and is one of our most energy intensive business units globally. In 2019 we gained certification to the ISO 50001:2018 standard, formalising our Energy Management System. We also recruited a further full-time energy management post to the organisation to assist our technical and operational staff on delivering initiatives. These include increased monitoring and targeting, enhanced pool covers, LED lighting upgrades, insulation upgrades, plant upgrades and time schedule reviews and housekeeping, which helped to save circa 2,000 Mwh of electricity across the portfolio.

3. Citizen Services Environmental Services Business Unit, Serco UK & Europe

Our Citizen Services Environmental Services Business Unit accounts for 8% of global emissions and is one of our most energy intensive business units globally from a fleet energy perspective. In 2019 we produced fleet options papers for clients to implement electric Refuse Collection Vehicles, with 3 trials implemented in late 2019. We have telematics across a significant proportion of our fleet which monitor fuel efficiency, clutch control, breaking style enabling training interventions to influence more fuel-efficient driver behaviour. These initiatives are part of a wider suite of activity which our Fleet department are leading on to drive energy efficiency and reduce carbon and air pollution impacts.