

# Anti-Bribery and Corruption Supplement

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## 1 Introduction

Serco strives to behave with integrity and operate in accordance with relevant laws and regulatory requirements and with sensitivity to local cultures.

We are clear about what we believe in and the ethics and business standards we seek to operate to. These standards define: expected individual and corporate behaviour in relation to all business conducted on the Company's behalf; reflect our values of Trust, Care, Innovation and Pride; provide direction on compliance with relevant laws and regulatory requirements where we work; and are sensitive to local customs, traditions and cultures.

The Serco Management System (SMS) and our Codes of Conduct (employee and suppliers) embed policies, standards and operating procedures to support our commitment to a zero-tolerance approach to bribery and corruption.

Our policies and Code of Conduct comply with the principles of OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions, United Nations Convention against Corruption and The United Nations Declaration Against Corruption and Bribery in International Commercial Transactions. As a global business, Serco ensures that its business and staff comply with local

laws and regulations applicable in the countries in which it operates, such as the UK Bribery Act, U.S. FCPA and French Loi Sapin (II).

Serco's procedures to counter bribery and corruption are proportionate to the bribery and corruption risks we face and to the nature, scale and complexity of our activities and clear and practical.

These procedures as well as the whole of the SMS are applicable to all business regions, operating companies and business units wherever Serco operates and covers:

- employees, officers, directors (executive and non-executive); and
- wholly owned subsidiaries and majority-owned operations; and
- where we hold a minority interest in a company or joint venture and, regarding our subcontractors and suppliers, Serco encourages alignment with our policies and standards.

Some elements of the SMS are available on [www.serco.com](http://www.serco.com). This supplement provides a summary of our overall approach in managing bribery and corruption risk.

## 2 Policy commitment

Serco operates a zero-tolerance policy regarding bribery and corruption. We are committed to operating in a fair and transparent manner, conducting our business activities with integrity whilst actively implementing and enforcing systems to seek to counter bribery and corruption. Serco will not knowingly approve any irregular payment or payment in kind to win business, encourage others to act improperly for the benefit of the company.

The Board and Executive Management lead Serco's commitment to prevent bribery and promote a culture in which bribery and corruption are never acceptable.

No Employee will knowingly offer, promise, give, accept, condone, approve or benefit from an improper business gratuity, a bribe, 'kickback' or other improper advantage, benefit or reward, or otherwise apply inappropriate influence. This relates to anyone we are involved with.

Given the nature of Serco's business as a provider of public services, particular care is taken to ensure our policy commitment and zero-tolerance approach applies to any dealing with customers or public officials.

We recognise that the long-term business relationships Serco depends on are based on trust and respect. Exchanging gifts and hospitality can build goodwill, but we are careful that these are not given or accepted if they risk

even appearing to create improper influence. This requires care and good judgement.

Our procedures relating to gifts and hospitality defines limits when authorisation is required and what needs to be recorded on Serco's gifts and hospitality register. This is monitored and forms part of quarterly reporting requirements.

Compliance with our Code of Conduct and anti-bribery and corruption policies, standards and programmes is mandatory.

If any employee violates Our Code or the Company's policies, or otherwise acts illegally, or in breach of any applicable law or regulations relating to bribery and corruption, the issue will be investigated and, where the investigation has confirmed a violation, the employee may be subject to disciplinary action the nature of which will depend upon the facts of the individual case. These are considered in line with standard company disciplinary procedures which conform to local employment laws and may result in dismissal.

Furthermore, we expect any party with whom we have a business relationship to adopt similar policies to counter bribery and corruption. Our relationship with our suppliers is governed by Serco's Supplier Code of Conduct.

Whilst it is appropriate that we take strong action where our policies are breached, we equally recognise that it is important to support employees who refuse to act unethically. Our policy is clear, no employee will suffer demotion, penalty or other adverse consequence for refusing to pay a bribe, even if such refusal results in Serco losing business.

Should any employee have any concerns or questions about issues of policy or compliance with Our Code, the Code explains how individuals can Speak Up and how they will not face retaliation or negative consequences if they do speak up.

As Rupert Soames, CEO states in our Code of Conduct: 'So please read our Code of Conduct carefully and abide by it. You will have all my support if you do, and none if you do not'.

To ensure we remain current in our thinking and share best practice we are members of several ethics and compliance associations including:

- Institute of Business Ethics (<https://www.ibe.org.uk/>)
- Society of Corporate Compliance and Ethics (<https://www.corporatecompliance.org/>)
- Ethics and Compliance Initiative (<https://www.ethics.org/>)
- The International Forum on Business Ethical Conduct (<https://ifbec.info/>)

## 2.1 Governance

Oversight of our anti-bribery and corruption procedures and performance against agreed objectives and targets is provided at the most senior level by the Corporate Responsibility Committee (CRC) which is a formal committee of the plc Board and chaired by a non-executive director.

The CRC, Executive Committee and Divisional Executive Management Teams (EMTs) review quarterly operational and strategic performance reports.

Our Group Business Compliance and Ethics Lead is responsible for developing and maintaining associated policy and governance and chairs the Group Ethics Oversight Committee which includes the Divisional Ethics Compliance Leads. This 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 Compliance Leads are responsible for implementing policy and governance across the Division.

Depending on the context and scale of any ethical dilemmas our position will be determined by Divisional EMTs, the Executive Committee, Investment Committee or plc Board.

- Defense Industry Initiative on Business Ethics and Conduct (<https://www.dii.org/home>)

Such engagements support the development of our programmes and policy.

As part of the governance of the SMS Policy Statements, Standards and Procedures are reviewed periodically. Typically this is every two years. This is coordinated centrally. Each policy sponsor and related subject matter expert is tasked to undertake the review, engaging all Divisions to ensure that Group policy and standards remain applicable, appropriate, reflective of assessed risk and in line with local legislation.

Material changes to policy statements are approved by the plc Board, Group Standards are approved by the Executive Committee and Group Standard Operating procedures by the relevant Executive Committee sponsor.

In addition to the overall review of SMS documentation the Business Conduct and Ethics Group Standard requires that ethical systems, procedures, processes and controls along with Divisional ethics and compliance programmes are periodically reviewed to ensure their continuing suitability, adequacy and effectiveness in order to meet applicable legal, Group and customer requirements.

Our Business Lifecycle governance process ensures due diligence, review and oversight of related risks, including those of bribery and corruption, throughout bidding and operations.

Our 'Speak Up' whistleblowing process is available to all employees, supported by an online case management system provided by an independent third party (see section 9).

Serco's terms and conditions of employment and all contracts for those who work with or for Serco (including agents, strategic partners and suppliers) and purchase orders clearly state that the giving or acceptance of bribes to any third party in exchange for a business courtesy is unacceptable.

Our policy commitment is embedded in our Code of Conduct and Supplier Code of Conduct. These can be viewed and downloaded on [www.serco.com/codeofconduct](http://www.serco.com/codeofconduct).

Employees receive a copy of 'Our Code at a Glance' and links to the Supplier Code are provided to all third parties. It is important that everyone working for Serco not only understand Our Code but also lives by it. Failure to comply

with Our Code and Company policy may lead to disciplinary action the nature of which will depend upon the facts of the individual case.

Serco seeks to reward employees in line with local legislation and with appropriate consideration for local custom and practice. Remuneration and benefits are set so that they are appropriate to attract, retain and motivate the required employees, considering:

- market competitiveness in base salary and benefits
- any local legislation regarding fairness and equality
- the scope and scale of the role
- individual performance and potential, as well as
- business affordability.

Base pay is reviewed annually for employees. Certain management and leadership roles are entitled to the company bonus scheme. This is set and approved by the Remuneration Committee. The allocation of bonuses is reviewed by the Executive Committee annually. This considers performance ratings from the performance review process to assess the personal element of bonus as well as

## 2.2 Procurement and supply chain

Serco expects its supply chain suppliers either by contract terms and conditions, or otherwise in their business dealings with Serco, to endeavour to conduct their business to the standards of integrity, honesty and openness we expect of ourselves. Serco will never knowingly use suppliers who do not meet these standards.

This includes recognising, complying with and respecting laws applicable to their operations and those governing the Serco-supplier relationship; acting in accordance with fair business, marketing and advertising practices; never knowingly offer, promise, give, accept, condone, benefit from, or demand a bribe or other improper advantage and to take particular care when dealing with Public Officials; and comply with agreed terms and conditions of contract.

agreed financial metrics. Awards are governed by scheme rules to ensure awards are proportionate to an employee's salary. Any discretionary one-off payments must be approved by the Divisional HR Director and CEO whilst such payments for leadership positions require Group HR Director approval.

Individual performance reviews assess not just what an individual has done but also how they have delivered it. This ensures that behaviours are in line with our Values. Serco's Reward Scheme policy (covering pay reviews and bonus payments) states that 'Failure to pass the Values Gate tests, through your conduct and completion of mandatory training (which includes training covering financial crime including bribery) will cancel any entitlement to an award under the plan'. The Values Gate test validates that the individual has not been found in breach of Serco's Code of Conduct, which includes its zero tolerance to bribery and corruption and that the individual has not been subject to a substantiated speak-up or corporate investigation.

Serco does not do business with a supplier where the supplier is in serious breach of its obligation. Where a serious breach is found Serco will typically work with the supplier to rectify the breach and put appropriate controls in place to stop any further breach. If the breach is not rectified within an agreed timescale or the breach is not capable of remedy then termination of the supplier agreement may be considered.

Our standard purchase order terms and conditions are available on serco.com under About/Business relationships. In the terms and conditions section 9 covers audit rights, 10 general business integrity, 15 anti-bribery and 14 termination.

## 3 Community and Government relations

### 3.1 Charitable donations and sponsorship

It is important for Serco that it supports the communities it works in. This might involve sponsorship of a local initiative or involvement and participation in legitimate charitable activities and causes.

The SMS sets out a consistent approach for all charitable donations, sponsorships and/or other contributions donated or received by Serco.

#### Sponsorship

Serco will participate in corporate sponsorships, and sponsor charities and community organisations if this does not

involve explicit or implicit endorsement of an organisation's product or service. Sponsorship arrangements must be based on a written agreement.

#### Community Investment

Serco regularly supports community activities and we track our community investment. For these to be classed as community investment the activity must be voluntary (i.e. no legal or contractual obligation); the organisation being supported must have a charitable purpose; the action must benefit the community; and it must involve Serco money (either monetary donations, gifts in kind or employee time).

To ensure transparency and accurate reporting, charitable donations, sponsorship and/or other contributions are recorded using an online register.

### 3.2 Political donations

Serco does not knowingly make political donations. This is reported annually in Serco's Annual Report and Accounts<sup>1</sup>. Whilst stating that neither the Company nor the Group made political donations and the company's intent is to continue with this policy we recognise it is possible that certain routine activities may unintentionally fall within the broad scope of the Companies Act 2006 provisions relating to political donations and expenditure. For this reason, a resolution is typically presented at the company Annual General Meeting seeking authority to make donations to a limited value.

Serco's delegated authorities make it clear that political donations remain a matter reserved specifically for the plc Board. Whilst to date this has not been exercised, if a matter was brought to the Board it would be supported by appropriate legal review with comment from the Group General Counsel.

There is one exception: where Serco has a legitimate voluntary Political Action Committee (PAC) or similar voluntary contribution scheme. The establishment of a PAC

### 3.3 Relationships with government

Serco specialises in the delivery of essential public services. Our customers are principally national, state and local governments. Serco respects the authority of governments. Wherever Serco conducts business we seek to maintain appropriate relationships with these governments and their agencies, officials and employees.

A lot of those we employ have previously worked in the public sector. We recognise and are mindful of the risks that this presents particularly from both competition and conflicts of interest perspectives. How we handle Conflicts of Interest is covered in section 4.

Whenever we seek to appoint a former Government official or minister, we commit to comply with the local legal and regulatory framework and to properly assess the risk of any potential actual or perceived conflict. This helps determine any action that may need to be taken to manage or mitigate the risk and provides guidance to the recruiter and candidate on required behaviours, standards and what they may or may not do on behalf of Serco.

Where monies are given a written confirmation of receipt of the funds is required.

To support Serco's social commitment it has established the Serco Foundation. More information on the work of the Foundation can be found at <https://www.sercofoundation.org/>.

can only be established if authorised by the Divisional CEO. The Divisional CEO will seek legal advice from the Divisional General Counsel to ensure the arrangements align to local legal and regulatory requirements.

In this case, Employees can freely contribute donations, in line with the scheme's strict conditions.

Although in Serco's name, the scheme is run independently, and Serco does not have any influence on its management. In line with local requirements a filing is made monthly with the US Federal Election Commission that lists receipts of names and the amount of money contributed from employees; a list of disbursements to federal candidates including their name and the amount; and the amount of money in our bank account to show it reconciles with receipts and disbursements. All of Serco's filings are public and can be viewed at <https://www.fec.gov>. The information is also collated and published by OpenSecrets.org <https://www.opensecrets.org/>.

Care is taken when looking to appoint someone who currently holds a political or government office. Such individuals will not be employed to act as consultants nor advise Serco on how it may lobby or otherwise influence the work of the organisation or body to which they belong. This includes seeking to confer exclusive benefit upon Serco. Where the appointment of such individuals is being considered this is reviewed to consider:

- a clear distinction between their work for Serco and any ongoing work connected to their political/government office;
- their actions as holders of political/government office being based solely upon consideration of the duties of their office and not those of Serco, and vice versa; and
- how their payment or benefit stems from a service not connected to their office and this is covered in a contractual agreement.

Serco's policy is to remain impartial in dealings with political parties however we may choose to contribute to the public debate on policy issues that directly affect our business in the countries in which we operate.

<sup>1</sup> <https://www.serco.com/investors/results-reports-events>

At times, attendance at events hosted by a political party may be required for briefing or other legitimate business purposes but this will not be attended if it might compromise Serco's impartiality.

Serco expects employees who lobby on behalf of the Company or represent Serco in government and regulatory matters to comply with applicable laws and regulations relating to corporate participation in public affairs. Where this is undertaken by a third party on Serco's behalf the same policy principles apply and the third party subject to due diligence (see section 6).

### 3.3.1 Offset contracting

Serco policy has been not to undertake offset contracting. Following a recent acquisition within Serco Americas division we have inherited an offset commitment in Canada. This was identified as part of acquisition due diligence where risks were assessed and reviewed by the Investment Committee.

This commitment relates to an obligation Serco has as a sub-contractor to contribute to the requirement placed on the prime defence contractor under Canada's Industrial and Technological Benefits Policy (ITB). In meeting this commitment Serco adopts ITB policy in determining the content value it undertakes and reports.

We use a consultant, which has been subject to due diligence, to better understand the IRB to help compliance. Any investments made under ITB undergo appropriate due diligence and application of our SMS and its intent to prevent any bribery and corruption. This is the only offset commitment Serco has across its operations.

Outside of this contractual commitment Serco maintains its intent not to undertake offset contracting.

All bids are subject to formal review at stages during the bid period which considers risks including bribery and corruption risks. In the very rare occasions where Serco may consider offset contracting its risks form part of these reviews and require Executive and Investment Committee review and approval.

## 4 Conflicts of interest

### 4.1 Personal Conflicts of Interest

Employees are required to disclose relevant private interests including outside commitments such as other appointments, employments, consulting, speaking engagements or directorships; financial interests, or endeavours for profit of self or immediate family; or other family or community interests. Should a Conflict of Interest (COI) exist they are required to put the interests of Serco first and report it.

Failure to declare or refusal to resolve an COI or OCI may lead to disciplinary action in line with company disciplinary procedures.

Disclosure is through completion of a COI declaration. Managers are required to review declared interests and identify whether a COI exists. Where appropriate they seek a legal review. This might include where the COI interferes with fiduciary duties, the COI could be potentially criminal, where it involves procurement or business development or employment of a senior Government Official.

Where a COI is identified, conditions or actions to resolve or manage the conflict are agreed with the relevant employee. Possible actions or controls include:

- Disclosure of interests or relationships

- Sharing of authority through collective decision making
- Restrictions of access to certain information
- Temporary separation or removal from the relevant process or decision
- Permanent separation from a process or function
- Divestment of liquidation of financial interests
- Resignation in cases where COI is irreconcilable with the individual's function.

The aim is to ensure an appropriate amount of independence. Where appropriate, the manager seeks advice from HR, Legal and Ethics staff before deciding on appropriate action.

Employees are responsible for ensuring these actions are taken. The employee's manager is responsible for monitoring agreed conditions and completion of any actions.

Divisional Ethics and Compliance Leads monitor both the completion of required declarations and their review. They report on their findings within quarterly Ethics and Speak Up reports to the Group Ethics and Compliance Team.

### 4.2 Organisational Conflicts of Interest

Organisational Conflicts of Interests (OCI) occur where Serco may obtain an unfair advantage; be unable to render

impartial advice or have impaired objectivity in performing work.

The business is expected to ensure that actual and potential OCI are evaluated and resolved (by avoidance or mitigation) in consultation with the Divisional Ethics Lead before a customer contract is accepted or a contract with a third party agreed, and a record of steps taken to achieve avoidance or mitigations retained.

An OCI Checklist for Identifying Organisational Conflicts of Interest is available along with appropriate questionnaires (e.g. from Third Party Due Diligence or Procurement On-boarding) to evaluate if an OCI may exist. This evaluation and agreement to any mitigation plan is completed before a bid is submitted or a contract is agreed.

Business units review in consultation with their Divisional Ethics Lead identified OCIs to determine whether identified OCIs can be avoided or mitigated and agree a plan with the Divisional Legal Counsel.

In most cases OCIs can be neutralised by withdrawing from the bid/procurement. OCIs can be mitigated by reducing the effects of the OCI to acceptable levels of risk to ensure fair

competition and contract performance are not impaired. This, for example, might involve working with the customer/third party to create firewalls to ensure that competitive information does not provide the company an unfair competitive advantage. Or, the customer (for bid) or Serco (for procurement) could release key information that has caused OCI to all those competing for the work to negate any competitive advantage.

Identified conflicts or conditions are recorded on the organisational conflicts of interest register.

Divisional Ethics Leads periodically review the OCI register and report trends and any significant OCI, including actions taken, to their Executive Management Team and Group Business Compliance and Ethics. This is included as appropriate in reports to the Executive Committee and plc Corporate Responsibility Committee.

## 5 Risk assessment and proportionality

We undertake a bottom-up review of risks, with our Business Units identifying the main threats to achievement of their objectives, documenting and analysing their potential impact, and defining clear actions to reduce the likelihood of those risks materialising and/or the financial impact if they should still occur. This exercise is completed using the Serco risk management lifecycle process.

The Business Unit risks are consolidated and reported to Divisional leadership teams in a check and challenge capacity to ensure that risks on the Business Unit risk registers accurately reflect the concerns of local senior leadership.

Within this process the Divisional Ethics Compliance Leads manage ethics compliance risks for their division. This includes the risk of bribery, fraud and misreporting. These risks assessments are consolidated by the Group Business Ethics and Compliance Lead for review by the Group Corporate Responsibility Committee.

The specific risk on bribery relates to: The offering, promising, giving, accepting or soliciting of an advantage as an inducement for an action which is illegal, unethical or a breach of trust. Inducements can take the form of gifts, loans, fees, rewards or other advantages (taxes, services, donations, favours etc.). Breach of bribery legislation leading to fines, possible imprisonment, loss of business and ability to bid for new business.

In addition, the broader divisional Risks are reviewed by the Group Enterprise Risk Management team and help inform the principal risk updates which are presented quarterly to

the Group Risk Committee ("GRC"). The Board are updated after each meeting.

One of the principle risks is 'Failure to act with integrity'. This is described as: Being found to have engaged in a significant corrupt or dishonest act (bribery, fraud, misreporting, cheating and lying) leads to customers being reluctant to do business with such organisations. Such behaviour might arise through the actions of rogue employees or as a result of pressures individuals feel they are being placed under. Such acts might lead to: the loss of existing business; restrictions on our ability to bid or win new business; our ability to attract high-quality people or partners; or may impact shareholder, investor and financial institutions' confidence in Serco.

Our risk appetite relating to Failure to act with integrity states: We aspire to operate and be perceived to operate with integrity. Being straightforward, honest and authentic is integral to sustaining a culture that supports us being a successful business. We are averse to behaviours and actions that might compromise this. However, we recognise as a provider of front-line public services we will be rightly subject to public scrutiny and challenge and there will be occasions where 'things go wrong'. We will always seek to act with integrity and transparency to minimise the impact of any failure, but if they do occur, we will accept responsibility and take action to mitigate them. We have no tolerance for any significant breach resulting in risk of prosecution, regulatory or government censure.

This risk along with all Group risks have a Subject Matter Experts (SMEs) (the Group Business Conduct and Ethics Lead for Failure to act with integrity risk) and a nominated



Executive Committee sponsor (Group Chief Executive for Failure to act with integrity risk), supporting their review and management. Detailed reviews of our principal risks are carried out as part of the Group Risk Committee reporting

schedule, as well as divisional “deep-dives” delivered by our divisional CEOs.

## 6 Due Diligence

Serco seeks to only do business with Third Parties that share its commitment to operate ethically and in full compliance with applicable legal requirements including those around bribery and corruption. The risk from Third Parties is assessed through due diligence and actively managed.

Our approach to due diligence is appropriate to the type of Third Party and:

- a. is risk-based, focusing on an assessment of the degree of corruption and other related risks associated with the Third Party;
- b. reviews the structure of the overall transaction, with specific attention to any “red flags” for corruption or illegal or unacceptable business practices; and
- c. reviews their reputation, qualification and experience. This assessment and due diligence occurs before the Third Party is engaged or renewed.

The procedures to assess and complete due diligence depends upon whether they are a supplier, agent or strategic partner. For each we have specific processes to follow and different levels of governance around decision making.

Regarding Serco’s few Agents, these are subject to thorough due diligence. This typically includes reviewing:

- evidence of establishment and ownership (including beneficial ownership) information
- a copy of any commercial registrations and licenses
- financial statements
- business references
- a copy of any written code, policy, or procedure addressing business ethics, anti-corruption, human rights, payments of commissions, entertainment of or gifts for customers or Public Officials, or related topics, if available.

Regarding Strategic Partners the due diligence criteria applied typically covers areas such as:

- structure and ownership, including parents, subsidiaries, and affiliates, including whether there is any government ownership or control
- legal and beneficial owners, directors, officers, and key employees, including those critical to the joint venture company or partnership structure, whether they have any close relations current or former government officials; and any other business interests which may conflict with the sought partnership
- litigation and legal proceedings search
- reviewing their areas of operation and sales

- any regulatory hurdles, such as trade sanctions and export controls regulations.

Approval of Agents and Strategic Partners is in line with Approved Delegated Authorities. Approval typically includes consideration of:

- the need for the Agent/Strategic Partner
- their reputation, qualifications, and prior history with Serco (if any)
- the scope of services to be provided and the amount of proposed compensation
- the terms of the proposed agreement
- the ethics and compliance risk or other violation of law posed by them.

Supplier engagements are subject to a written agreement with contract protections, representations and warranties to minimise the risk of improper conduct. Suppliers are required to agree to abide by Serco’s Supplier Code of Conduct and agreements typically contain a:

- commitment to comply with standard Ethics & Compliance clause
- commitment to a no-bribes policy, human rights, including modern slavery and to implement and/or ensure to have an adequate compliance programme
- audit rights, providing access to the Supplier’s relevant records
- right to terminate the contract in the event of or suspicion of breach of the Ethics & Compliance Clause.

In relation to high risk supplier categories the following requirements are typically included:

- right to audit lower tiers of high-risk supply chains
- provisions limiting the Supplier’s ability to act on behalf of the company and/or to have interactions with government officials (where applicable)
- a contractual obligation by the Supplier to report on services rendered.

Similarly, agreements with Agents and Strategic Partners are in writing and include anti-corruption contract and related ethics and compliance provisions.

Depending on the outcome of the due diligence exercise and the risk that a Third Party represents, they may be placed onto ongoing monitoring. The level and type of monitoring is appropriate to the risk classification and is determined by the Divisional Ethics Compliance Lead.

For key Agents and Strategic Partners the Divisional Executive Management Team identify a Sponsor responsible for managing the ongoing relationship. Payments are

reviewed and approved by the Sponsor, the Divisional Ethics Compliance Lead and the Finance Department. All payments are made to the designated bank account identified in the agreement.

The value of all payments is provided in the main agreement.

An annual review to substantiate services rendered is undertaken with each Agent.

Due diligence is undertaken when a relationship is first established and then periodically, typically this is every three years unless we become aware of an issue which would lead to revised due diligence being undertaken. High risk third parties (including agents and strategic partners) are placed on ongoing monitoring.

## 7 Training and Communications

### 7.1 Training

Training requirements fall into two areas that which is mandated across all employees or specific groupings of employees e.g. all managers and then specific training for specific groups. The development of both areas is based on an assessment against identified ethical risks with training being given to help employees understand and manage the ethical risks being faced.

Employees receive an induction when joining the company which includes coverage of our anti-bribery and corruption policies. They are also provided with a copy of 'Our Code at a Glance' and are required to complete Code of Conduct training which includes reference to our zero tolerance around bribery and corruption, information on how to speak up and where to access our full Code.

Third Parties are made aware of Serco's Code of Conduct, including Speak Up and the potential consequence of Serco severing business relationship for failure to meet expected standards.

As part of ongoing training and awareness, employees and Third Parties are advised of how they can alert the Company to potential areas of misconduct through the use of the Speak Up process that provides a blame-free method of reporting genuine issues or concerns they may have.

We have an annual programme of Serco Essentials training which is mandated for all staff. This covers Code of Conduct training to regularly remind employees of our Code, their responsibilities, the consequences of not following it and how to Speak up if they have an issue.

Whilst employees complete Code training, Managers are required to complete three additional modules covering

safety, data protection privacy and security and financial crime including bribery and corruption. Managers are also required to complete a short Conflict of Interest module which includes updating the conflict of interest declaration.

Roles are assessed against several risk factors including those of bribery and corruption. For those identified in high risk roles along with managers are required to complete annual training which includes the module 'Protecting us against financial crime'. This covers several areas of financial crime including bribery, fraud, misreporting, money laundering etc.

We have also developed specific training for certain groups of individuals where there is a specific risk, for example within our environmental services business where employees may be challenged to receive cash payments to divert their routes or collect items not covered by their usual rounds.

We recognise that leaders and the Board equally need regular training regarding ethical issues including bribery and corruption. Recently this was addressed at a specific session as part of annual leadership conferences which are attended by Executive and non-executive directors.

We also recognise the need to develop our Ethics Compliance Leads across the business. That is why we initiated a development programme that commenced in 2019 to get Divisional Ethics Compliance Leads Certified Compliance and Ethics Professionals.

(CCEP-I <https://www.corporatecompliance.org/certification>)

### 7.2 Communication

To maintain awareness and understanding various communications channels are used to remind employees regarding Our Code, key policy areas, such as bribery and corruption and how to speak up.

Examples of communications materials used are available in the Download/communications section of Our Code website ([codeofconduct.serco.com](http://codeofconduct.serco.com)).

Divisional communications teams are provided with a range of materials to be incorporated in local channels. This includes scenario examples based on real issues and Speak Up examples. Performance data is also shared to demonstrate the use of Speak Up the percentage that are

investigated and where action has been taken to demonstrate the system is taken seriously.

## 8 Monitoring and Review

Serco is committed to good governance practices supported by a business compliance process.

Management is responsible for maintaining adequate internal controls to manage risks and ensure compliance with local laws and regulations, contractual obligations and the SMS.

Each Division is responsible for establishing a robust compliance process, including the identification and management of compliance obligations, and an effective compliance programme.

Compliance management provides assurance that key risks are being managed effectively and that a robust control environment is in place. Compliance management is based on a structured approach, independent of operational reporting lines, to obtain evidence-based information on the current state of process compliance and control effectiveness to:

- Seek to ensure compliance with the SMS and specific regulatory and customer requirements
- promote proactive identification of control deficiencies so that control effectiveness can be strengthened
- provide information on systemic control weaknesses that may require strategic control solutions to be implemented
- improve visibility of process compliance and control effectiveness
- improve the effectiveness of processes and controls.

Compliance is therefore concerned with providing the confidence that internal procedures and controls, including those managing ABC, are in place and that risks are being identified and managed appropriately, with the focus of effective compliance being on managers managing the business in real time and being able to demonstrate that

risks are being mitigated. Recognising this effective compliance is delivered by three 'Lines of Defence':

- 1st Line of Defence – operations and Business Units' day to day compliance
- 2nd Line of Defence – compliance reviews, undertaken by someone independent of operational reporting lines
- 3rd Line of Defence – Internal and external audit

External audits or quality reviews are completed either where it is a contractual requirement to be externally certified to a Standard or recognised industry award or where there is a business need.

The Executive Committee is responsible for providing oversight, challenge and direction across the first and second lines of defence, including the review of the Group Risk Register and individual risks as required. The Board has overall responsibility for risk management and internal control and formally reviews the findings of the overall Internal Audit programme. It is supported in these duties by the Group Risk and Audit Committees.

The Group Ethics and Compliance team also undertake compliance reviews to ensure key controls that manage Ethics Compliance risks are in place and effective. Recent reviews have included reviews of anti-bribery and corruption controls, management of Agents, effectiveness of Speak Up processes and Export Controls compliance. Work has also been completed to identify key ethics compliance controls (including those for anti-bribery and corruption) for inclusion in Divisional compliance assurance activity.

Within the Group finance function a Financial Assurance team undertakes regular audit of key financial controls to ensure they are in place and effective. This includes key controls relating to the different aspects of potential financial crime including bribery and corruption.

### 8.1 Reporting

Integral to internal governance requirements and to ensure appropriate oversight the Corporate Responsibility Committee, Executive Committee and Divisional Executive Management Teams receive regular report covering Ethics Compliance matters.

A set of dashboards are used and updated monthly to facilitate reporting. These focus on key several key metrics covering:

- Speak up including new case data by category, percentage anonymous, rate per 100 employees, by contract, cases closed, time to close (average and median days to close), levels of substantiation and types of action. Where available data is compared against industry benchmarks
- Gifts and hospitality – types and value
- Community investment – including sponsorship, hospitality, cash donations, cost of management time,

cash donations to community activities, cost of employee time

- Conflicts of interest – personal conflicts declared, direct, indirect and organisational conflicts of interest
- Third party due diligence – screens completed, red flags requiring review, reviews outstanding, rejected
- Completion of Serco Essentials mandated training by managers and employees

The dashboards present current and historical data to enable any trends to be identified.

Each division uses the dashboards to inform their quarterly report which is presented to their divisional Executive Management Team. These reports are consolidated by the Group Ethics Compliance Team to form the quarterly Ethics and Compliance report which is presented to the Executive Committee and the Corporate Responsibility Committee.

These reports typically cover:

- Governance, processes, risks and issues
- Initiatives to drive an ethical culture
- Training
- Conflicts of Interest
- Due diligence activity
- Gifts and hospitality
- Compliance activities
- Speak Up (including detailed information on investigations and any high-risk cases)

## 9 Say No Toolkit

Serco supported the Institute of Business Ethics in the development of the Say No Toolkit and were its pilot users. We still offer the app to all staff today.

The toolkit is a decision-making tool, designed to help organisations support their employees to make the right decision when faced with a difficult situation.

The Say No Toolkit provides immediate, practical guidance on a wide range of business issues. It guides employees to a YES or NO decision for example if they were offered a gift or hospitality package, offered a facilitation payment or were

faced with a conflict of interest. It gives specific and practical guidance when dealing with external third parties to know when to say no, how to say no and what to do if it is not possible to say no.

It is designed to help anyone facing a situation which does not have a clear answer and which managed incorrectly could lead to accusations of bribery.

<https://www.serco.com/about/serco-code-of-conduct/our-code/sayno-toolkit>

## 10 Speaking Up

Serco encourages an open and supportive culture such that employees and business parties are encouraged to report issues and malpractice.

Serco takes malpractice and impropriety extremely seriously. We maintain an effective mechanism and processes to deal with legitimate concerns and/or complaints in a responsible and effective manner.

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

The identity of the individual raising the issue may be kept confidential so long as it does not compromise, hinder or otherwise frustrate any investigation. Serco protects any employee who discloses issues provided from adverse employment action unless it is proved they have been made in bad faith. Direct or indirect victimisation of any person using Speak Up is regarded as a serious disciplinary offence.

Employees may report concerns anonymously if they wish; however, if an individual is willing to provide their details it enables further detail to be obtained from them, if required as part of the subsequent investigation, and reports made back to them

Anonymous reports are appropriately reviewed based upon the information reported; however Serco encourages individuals to report their issues directly since it believes that the ability to follow up with the reporting individual can aid in ensuring an appropriate review of issues raised

In the first instance, concerns should be reported to the relevant line manager. If this is uncomfortable, impractical or the employee otherwise believes matters should be reported outside of their line management, there are a number of channels open to them, namely a third party independently operated free phone Speak Up Hotline within their region with calls taken in complete confidence and can be dealt with in several languages; through an online form; a dedicated email address; or by writing to the Company

Secretary. It is also recognised that some issues are raised by writing or emailing the Group Chairman or Chief Executive; Divisional Chief Executives or senior management. These are handled in the same way that any Speak Up issue is handled.

See - <https://www.serco.com/about/serco-code-of-conduct/our-code/speak-up>

Cases received are initially reviewed by the Group Ethics Compliance Team. Where appropriate this includes consultation with Group or Divisional General Counsel to assess the need for legal involvement. The initial review considers the information available and assesses it against the Serco Incident Reporting Scale, allocating the case against one of 4 levels which is then recorded on the case management system. Each level is defined in the SMS and comprise:

- SIRS 1 – Severe - Investigations led by Group and independent of the related Division.
- SIRS 2 – Major - Investigations led by Division and independent of related management.
- SIRS 3 – Moderate - Investigations led by the Business Unit or Contract, with Divisional oversight. The investigation is independent of related management.
- SIRS 4 – Minor - Investigations led by the Contract. The investigation is independent of management of the area being investigated.

Once triaged the reporter is contacted and informed on next steps and then kept informed during the investigation.

Investigations are undertaken in line with agreed procedures. The objective being that investigations are thorough, fair and balanced and completed in a timely manner.

SIRS 1 and 2 cases are classified as corporate investigations and undertaken by trained investigators. Training is provided in house using a consistent training module and delivered by the Head of Corporate Investigations.

The output of all investigations is a final report with recommendations and follow up action plans with identified owners:

### 10.1 Non-retaliation

We do not tolerate adverse action against anyone for raising an issue or concern in good faith. This might include instances where an employee is dismissed, demoted, suspended, threatened, harassed, excluded or deliberately marginalised.

Employees are responsible for ensuring that they never retaliate against colleagues who speak up with an issue or concern.

- SIRS 1 Cases Reports and recommendations reviewed and approved by the General Counsel and Director Business Compliance and Ethics. The Director Business Compliance and Ethics has oversight of the final report and the implementation of actions and recommendations.
- SIRS 2 Cases Reports and recommendations reviewed and approved by the Divisional Ethics Compliance Lead and appropriate senior management. The Divisional Ethics Compliance Lead has oversight of the final report and implementation of actions and recommendations.
- SIRS 3 Cases Reports and recommendations reviewed and approved by the Divisional Ethics Compliance Lead and appropriate senior management. The Divisional Ethics Compliance Lead has oversight of the final report and implementation of actions and recommendations.
- SIRS 4 Cases Reports and recommendations are reviewed by Contract management and local Business Unit management. The Divisional Ethics Compliance Lead has oversight of the final report.

If the issue is shown to be substantiated, then consideration is given to disciplinary action in line with company disciplinary procedures and local employment laws.

If there is evidence of potential criminal activity, then the Case Manager raises the matter with divisional General Counsel who reviews and if applicable refers the matter to the relevant law enforcement agencies. Where findings may be material this will be discussed with the Group General Counsel who will determine if the matter should be reported externally. The Group General Counsel ensures that as appropriate necessary authorities are informed and reported to the plc Board. The Company ensures that any internal investigation does not hinder a formal law enforcement investigation.

The reporter is informed of Case closure and the outcome where appropriate by the Case Manager. If the reporter is not satisfied that their concern is being properly dealt with by the investigating manager, they have the right to raise it in confidence with the Group Director Business Compliance and Ethics.

It is a management responsibility to take action to protect members of their team from retaliation if they speak up about issues or concerns.

If an individual feels that they are being retaliated against they should raise it in confidence to their Ethics and Compliance Lead or through Speak Up. All such cases are fully investigated (just as any speak up issue is triaged and reviewed). For any substantiated cases those found to be involved will be subject to disciplinary action, in line with Company disciplinary procedures, which might result in dismissal.

To build confidence in the system and assure that no retaliation has taken place, divisions undertake random, regular reviews by contacting individuals who have raised issues to confirm that no retaliation has occurred. This is

## 10.2 Reporting

Speak Up system reports and dashboards are provided, on a regular basis, to Group and Divisional Executive teams and the Corporate Responsibility Committee so that trends can be reviewed, and appropriate management action taken, if required. In addition to performance data the Executive Committee and Corporate Responsibility Committee receive details on cases classified as high risk (SIRS1 and 2) for their review and oversight. This includes any material findings regarding bribery and corruption. In such instances the General Counsel will also report these to the plc Board.

Appropriate briefings on the investigation of significant matters is provided to the relevant Divisional Executive Management Team (EMT) and, as appropriate, the Company Secretary, Serco Group plc.

The Case Management system is periodically reviewed by the Ethics and Compliance Steering Group and the outcome

## 10.3 Assurance and review

Trends and issues raised through Speak Up are considered in the broader review of SMS documentation.

Speak up and investigation processes are subject to periodic review. The last review occurred in Q4 2019. Specifically, this review considered:

- verifying whether Serco's Speak Up programme (including investigations) is operating to established policies and procedures as agreed in the SMS;
- assessing if the level of handling, documentation and evidence of case management and investigations was adequate; and
- assessing if Serco's Speak Up programme was operating in conformance with best practices.

done through a structured interview either face to face or by telephone.

reported to the Executive Committee and plc Corporate Responsibility Committee.

Divisions regularly publish case examples to illustrate the use of the system, how they are dealt with and the handling of issues.

Regular meetings, led by the Director Business Compliance and Ethics with the Divisional Ethics Compliance Leads are held to review cases, actions and recommendations made in the final investigation reports and to identify trends and patterns of repeat behaviour and agree changes to operating procedures should any trends be identified.

Although findings and recommendations are anonymised where necessary, the lessons learnt from investigations and changes to operating procedures are used for internal communications and to publicise the effectiveness of the Speak Up process.

This resulted in several recommendations to improve the case management system to better capture and support investigations.

Speak Up and investigations policies and procedures form part of the Serco Management System and as such are reviewed periodically, typically every two years.

Following such a review of Speak Up and investigation processes the Speak Up Group Standard and the Corporate Investigations Group Standard Operating procedure were updated and reissued in December 2019. The Speak Up Issues Handling Group Standard Operating procedure was updated in 2019 and is currently under review to incorporate changes being implemented as a result of the Q4 review.