

THANK YOU  
SERCO!!

EVERY  
CHILD  
EVERY  
WHERE

serco  
foundation

Whizz-kidz  
move a life forward

# OUR COMMITMENT

## A CHALLENGING YEAR



Ed Casey  
Acting Chief Executive  
Serco Group plc

The year was challenging for Serco, in particular because of issues relating to two of our contracts for the UK Ministry of Justice (MoJ). In July, the Secretary of State for Justice announced that an independent audit of billing arrangements for our electronic monitoring contract had shown potential overbilling. In August, we and the MoJ announced that we had jointly referred the misreporting of data on our Prisoner Escort and Custody Services contract to the City of London Police.

In December, we were pleased to have reached a settlement with the UK Government in respect of the electronic monitoring contract issues and agreed to a payment of £68.5m to the MoJ.

Separate audits of all other MoJ contracts and the Cabinet Office's wider review of our major UK Central Government contracts did not raise any further material issues. In January 2014, the Cabinet Office published a positive assessment of our corporate renewal programme, which is discussed below.

Although these issues related to two contracts out of a portfolio of more than 700, the actions and behaviours should never have occurred and we have apologised unreservedly. We know we must have a zero tolerance policy when it comes to compromises to our values. We are therefore doing everything we can to make sure such issues cannot happen again, anywhere in our business.

## THE NEED FOR CORPORATE RESPONSIBILITY

The issues we faced in 2013 have only reinforced our view that we have to hold ourselves to the highest ethical standards, if Serco is to be successful and sustainable. This means living up to our responsibilities to our customers, the public, our employees, partners, suppliers, communities and the environment. If we do this, we will also enhance our financial performance and create sustainable value for our shareholders.

The contract issues notwithstanding, we achieved many corporate responsibility successes in 2013. Not least, we delivered a marked improvement in health and safety, with a major reportable incident rate of 33.4 per 100,000 employees, well ahead of our target of 57 and the industry benchmark of 91.5.

We continued to invest in our communities. Our total investment in wider society – through cash donations, gifts in kind, staff volunteering and management time – came to £2,575,029, representing 1% of our Adjusted pre-tax profit.

We celebrated Serco's 25th year as a public company and we established the Serco Foundation to recognise this. Our people chose a theme of 'Every Child, Everywhere' and raised more than £400,000 for nine child-related charities around the world. Their outstanding efforts also resulted in more than £200,000 being raised for other charities they selected. The events our people participated in ranged from ultra marathons to volunteering days to helping communities affected by natural disasters. Altogether, Serco employees more than doubled their charitable fundraising in 2013.

We continued to improve our understanding of our environmental impact, by gathering greenhouse gas emissions data from far more of our business operations. This gives us a new baseline against which to measure our carbon reduction efforts in the coming years.

Our people are fundamental to our business success. Despite the pressures we have been under, they have yet again demonstrated outstanding commitment to their work, quietly delivering excellent service to our customers around the world.

Front cover: Simran Kaur, beneficiary of Whizz-Kidz, who came on work placement with Serco External Relations team in October 2013.

During 2013, we developed a new leadership model that will apply to everyone in Serco. The model will enable our people to understand the capabilities they need to progress to next level of leadership, and will help to communicate and embed our values throughout the organisation. We also continued to invest in our global people management system, MyHR, to make it easier to manage our people effectively. We now intend to add more functionality to MyHR and use it to drive efficiencies.

Our annual employee survey showed that overall levels of engagement declined slightly in the last 12 months, in part reflecting the specific challenges Serco faced in 2013. However, it also identified a generally positive culture, with most employees feeling they have good working relationships with colleagues, that their contract provides a high level of customer service and that Serco values diversity. Improving engagement is a priority for us and we have plans in place to do this in 2014.

## TARGETING IMPROVEMENTS

The contract issues in 2013 highlighted a number of areas where we need to do better. As a result, we started a comprehensive corporate renewal programme in the fourth quarter of the year. This aims to ensure we have the correct balance of drivers in our business, so our commitment to doing the right thing and to dealing fairly and transparently with our customers always comes first.

As part of our corporate renewal, we appointed Mike Clasper, Tamara Ingram and Rachel Lomax as non-executive directors in March 2014, to strengthen our governance. We have also set up a board committee for corporate responsibility, to oversee our approach to ethics, the structure of governance, risk management, health and safety, and the environment. Rachel Lomax chairs the committee, which met for the first time in February 2014.

Our people need to feel confident that they can raise potential ethical conflicts, so we can identify them early and take appropriate action. Towards the end of 2013, we appointed an ethical lead in each division, who is answerable to a divisional ethics committee. During 2014, we will also review our Code of Conduct and the way we define our values, provide ethical leadership training to all of our managers and make improvements to our performance management process.

We will also continue to set specific objectives in all areas of corporate responsibility. Achieving these objectives helps us to maintain our commitment to continually improving our CR performance and contributes to making Serco a more sustainable business.

2013 was undoubtedly a difficult year for us. We will take the lessons learned and make the necessary changes to our business, as our stakeholders would expect. We intend to emerge stronger as a result, more committed to our values and better able to fulfil our corporate responsibilities.

# OUR APPROACH

## A CHALLENGING YEAR

The issues we faced in the second half of 2013 have only served to reinforce our view that for Serco to be successful and sustainable, we have to work in the right way. This means living up to our responsibilities to our customers, the public, our employees, partners, suppliers, communities and the environment.

Being a responsible business means ensuring that we:

- always do the right thing
- are open and transparent with our customers, our people and the societies we serve
- deliver our commitments and comply with the law
- engage with and motivate our people
- act safely and with respect for the environment and those with whom we work
- minimise business risks
- achieve appropriate financial returns, and
- develop and safeguard our reputation and brand.

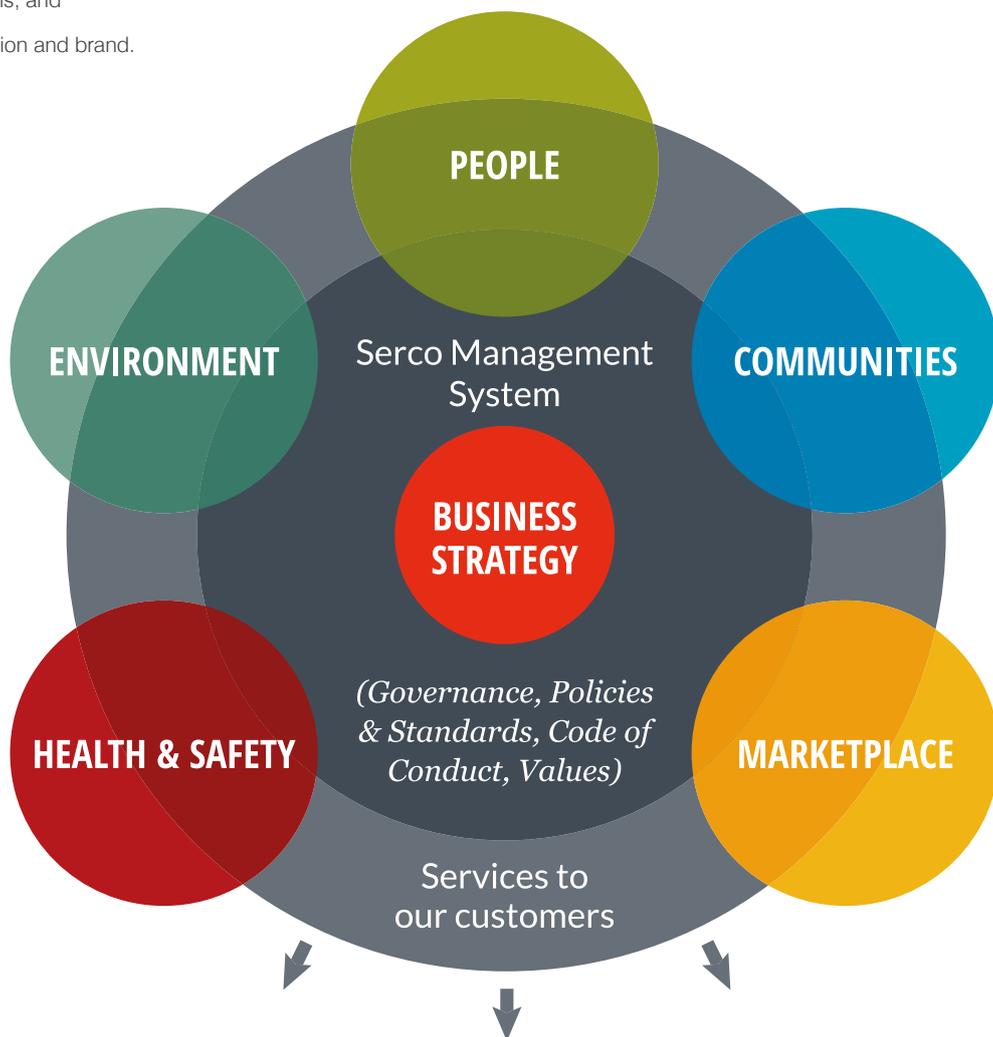
By being responsible, we will enhance our financial performance and create sustainable value for our shareholders. The importance of corporate responsibility (CR) means that we have built it into the way we operate, embedding it in all aspects of the Serco Management System (SMS). The SMS defines the rules that govern the way we behave, operate and deliver our strategy.

It encompasses a set of Group-wide policies and standards, covering subjects ranging from health, safety and the environment (HSE) to procurement and supply chain. During 2014, we will further develop the SMS, including our values and code of conduct as part of our corporate renewal programme.

During 2014, we will be further developing the SMS, including our values and code of conduct, as part of our corporate renewal programme. More information on the SMS can be found on our website, [www.serco.com](http://www.serco.com).

### Serco CR Framework

Our CR framework encompasses our people, health and safety, communities, the environment, our marketplace, which covers our relationships with our customers, suppliers and other parties and our commitment to ethics and business conduct.



# GOVERNANCE

*The Serco Group plc board has ultimate responsibility for our Group business strategy and therefore approves our Group CR strategy.*

In October 2013, we announced that we would establish a board committee for CR, to take oversight of our approach to ethics, the structure of governance, risk management, health and safety, and environmental matters. This committee, which met for the first time in February 2014, will meet quarterly to receive formal progress reports against each element of the CR framework. The CR Committee's terms of reference were formally approved in February 2014 and are available at [www.serco.com](http://www.serco.com).

Rachel Lomax, one of our non-executive directors, is the board sponsor for CR and chairs the CR Committee. The Committee's other members are: Alastair Lyons, our chairman; Ed Casey, our acting Chief Executive; and two further non-executive directors, Mike Clasper and Tamara Ingram.

The Chief Executive is responsible for promoting the Group's CR strategy and its effective implementation across the Group. The Executive Committee is responsible for implementing our Group CR objectives.

Our people need to feel confident that there is somebody they can turn to discuss potential ethical conflicts that may arise during bidding or when transitioning or operating contracts, so the matter can be discussed openly and we can take authoritative decisions. Towards the end of 2013 we therefore appointed an ethical lead in each division, who will be answerable to a divisional ethics committee, which has now been established.

Each division has a CR strategy, which is owned by the divisional CEO and monitored by the divisional board. Our contracts develop CR initiatives that fit their divisional strategies, their business and their local communities. The contract director is responsible for delivering these initiatives.

Our CR activities also reflect our people's passionate involvement in local causes, which often involve them volunteering to raise money or provide direct help.

# OUR PERFORMANCE

2013 was a challenging year for Serco but we continued to deliver a strong corporate responsibility performance in many areas of the business. The following pages outline the objectives we set for 2013 and how we performed against them.

In addition, Business in the Community (BiTC) once again recognised our commitment to corporate responsibility. It awarded us Gold status in its 2013 Corporate Responsibility Index, with a slight increase in our score to 94%. This was the eighth year running that Serco has achieved a Gold award.



## PEOPLE

*We depend on our peoples' skills and commitment to deliver the services our customers expect. Our people contribute directly to our reputation and ability to grow.*

Our human resources activities are designed to create the robust and sustainable organisation, which can operate effectively in a complex environment.

For 2013, we set the following objectives in relation to our people:

### TO CONTINUE TO DEVELOP LEADERS WHO ARE FIT FOR THE FUTURE BY EMBEDDING THE TALENT REVIEW AND SUCCESSION PLANNING PROCESS ACROSS A WIDER PROPORTION OF OUR MANAGEMENT POPULATION



Steve Southgate and John Harrison, members of the Christmas Island Senior Management Team, pictured accepting their Heart Global Pulse Award

During the year, we embedded our talent management processes around the Group and focused on consistently improving them. We are now linking these processes to our wider leadership agenda. This has seen us carry out a significant piece of work with our leaders around the world, to determine what we expect from leaders in Serco.

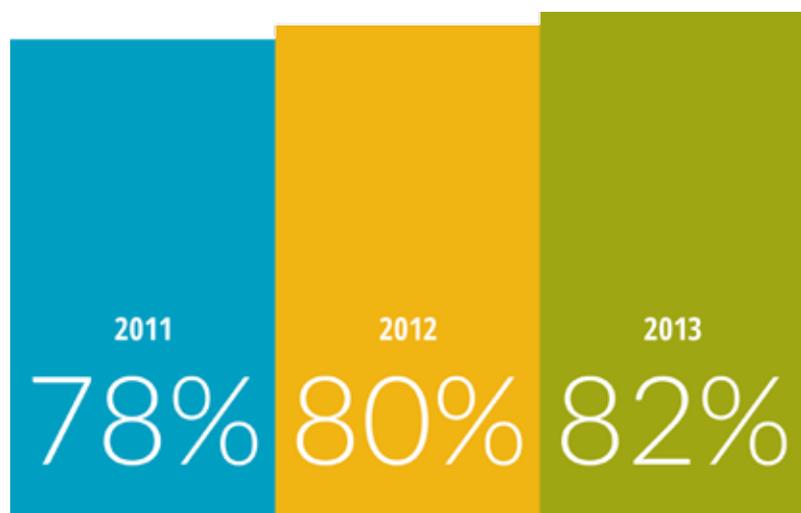
This work has allowed us to create a new leadership model, which we will roll out in 2014. Our aim is to identify people who have the desire and capability to be leaders at all levels in the organisation and to help them fulfil their potential. Whether people are interested in developing their skills, managing a small group or taking on wider responsibilities, the model will enable them to understand what capabilities they need to develop and demonstrate, so they can progress to next level of leadership. It will also help to communicate and embed our values throughout the organisation.

### TO IMPROVE OUR OVERALL ENGAGEMENT LEVELS BY FOCUSING ON THE TOP FOUR ENGAGEMENT DRIVERS FOR EACH DIVISION OR FUNCTION

Each year, we undertake a global employee survey, which gives us important insights into how we can improve the working experience at Serco. In 2013, we achieved a response rate of 82%. The survey showed that overall levels of engagement declined slightly, in part reflecting the specific challenges Serco faced in 2013.

However, it also identified a generally positive corporate culture, with most employees feeling they have good working relationships with colleagues, that their contract provides a high level of customer service and that Serco values diversity.

The results analysis also identifies the drivers that will most improve engagement, if we take action. In 2014, the Executive Team will be senior sponsors of employee engagement and personally commit to three actions.



Global employee survey response rates 2011-2013



The leadership meeting in June hosted 180 Serco leaders from across the globe

These are:

1. **Engaging the leadership team**, which in turn will help improve overall employee engagement.
2. **Bringing to life the strategic narrative for Serco**, so employees, feel part of Serco and understand Serco's role in supporting great service delivery.
3. **Developing employee engagement as a strategic priority**, so we can meet our strategic objectives and use engagement data as a predictive indicator of ethics and compliance risks.

During the year, we also continued to support Engage for Success, an independent voluntary group that highlights the importance of employee engagement.

**TO CONTINUE TO IMPLEMENT MYHR – THE SINGLE HR PROGRAMME AND COMMON CORE PROCESSES – THROUGHOUT THE BUSINESS**



MyHR provides a range of self-service tools for both managers and employees. It gives managers better visibility and control of their team information, the ability to carry out people management activities online, and access to reports to support planning and decision making. The system also makes HR processes easier for employees, for example by allowing them to maintain their personal information or book annual leave online.

Implementation has taken place across a complex global environment, which presented us with a number of technical and organisational challenges. We resolved these in the first half of the year and put in place improved processes for dealing with issues as they emerge.

We continued to develop the system during the year, including better forms and training managers in using MyHR Online and our people management processes. We now intend to move to the next stage of development, adding more functionality to MyHR to include learning, reward and performance management. It will also help us to deploy training and compliance programmes to all our people, for example around our code of conduct.

During the year, we transferred HR processing for our Middle East business to our transaction centre in Delhi.

EMPLOYEE PROFILE

Summary of key performance indicators:

NUMBER OF EMPLOYEES



120,535

(source: Serco global HR systems, includes Joint Ventures as at end December 2013)

STAFF TURNOVER\*

26.9%

PEOPLE WITH DISABILITIES

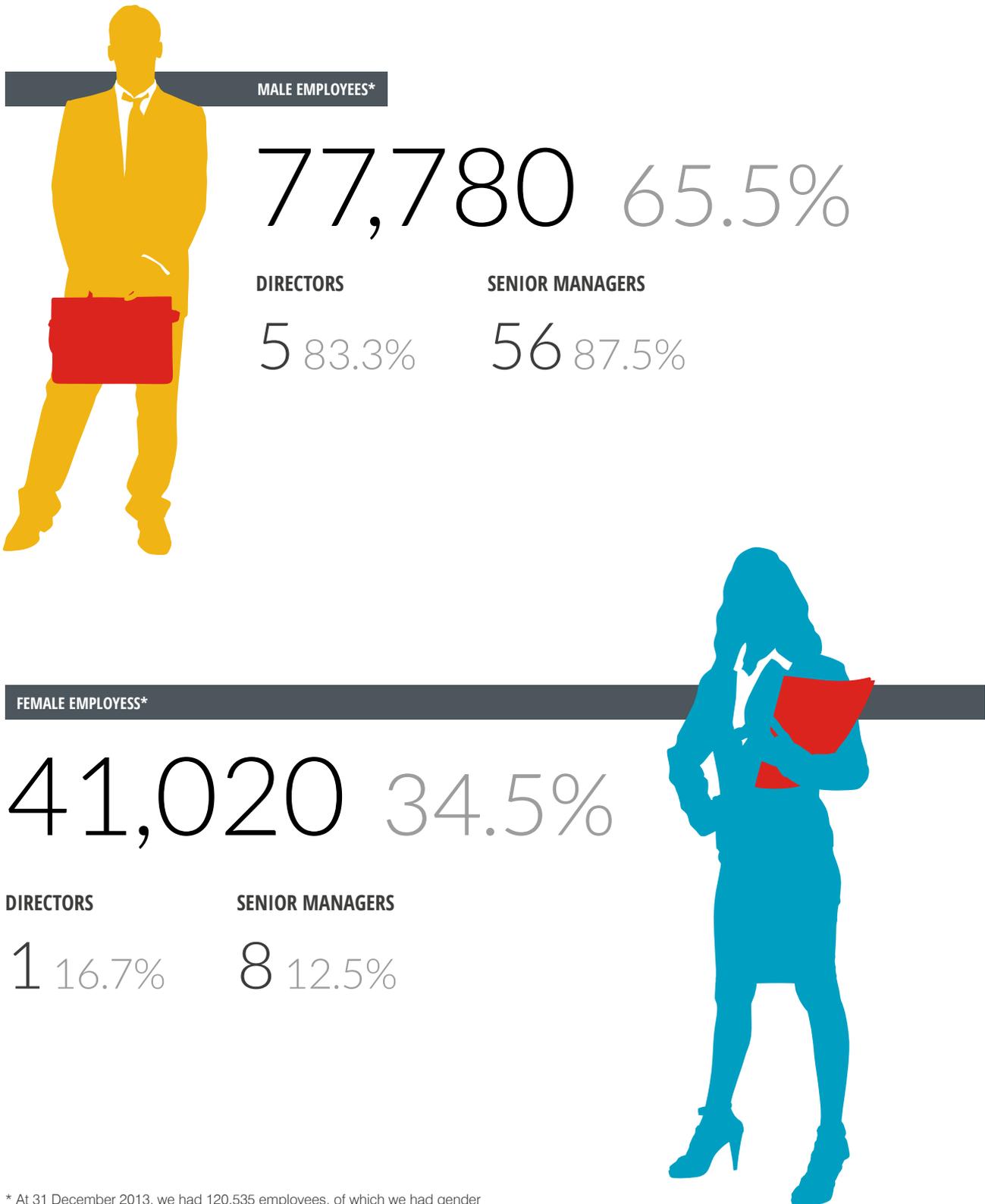
0.2%

(151.3%\* including BPO business outside UK only, the continued development of our BPO business and international presence has resulted in constant levels of turnover, gender and disability. These levels are broadly in line with benchmark targets for the geographies and markets in which we operate, however we continue to try to improve them)

**DIVERSITY**

Serco is an inherently diverse business. However, we still need to promote diversity and ensure that all our employees are able to be successful and happy at work, regardless of their background. We therefore have a global diversity strategy, based on a set of global principles, details of which can be found on our website, [www.serco.com](http://www.serco.com).

At 31 December 2013, the numbers of men and women employed by Serco were as follows:



\* At 31 December 2013, we had 120,535 employees, of which we had gender information on 118,800. (source: Serco global HR systems, includes Joint Ventures)

# HEALTH & SAFETY

*Our vision is zero harm. A strong HSE performance ensures the safety of our people and protects our reputation. All our people must adhere to stringent health and safety procedures, which are embedded in the SMS and are the minimum standards that apply.*

Serco operates in some heavily regulated safety-critical areas. We have systems to deliver these safety requirements, as reflected in our regulatory approvals and licences. Together, these factors give us a strong controls framework for managing our HSE responsibilities.

For 2013, we set the health and safety objectives below.

## TO ACHIEVE A LOST TIME INCIDENT RATE (LTI) OF 573 PER 100,000 EMPLOYEES, REPRESENTING A 5% REDUCTION AGAINST 2012 BASELINE

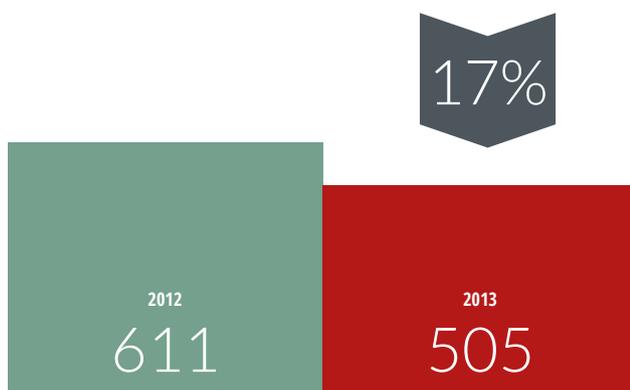
The LTI rate fell from 611 in 2012 to 505 in 2013, a reduction of 17%. All our divisions improved their performance during the year.

Slips, trips, falls and manual handling are the biggest contributors to LTIs, so we have implemented risk reduction initiatives, including staff awareness and training.

More specifically, the UK & Europe division took a risk based approach to safety critical areas, with initiatives including improved governance to provide oversight and challenge, consistent processes and toolsets across the division, and a core curriculum of online safety training. Our Americas division took prompt action to address a spike in LTIs in its Engineering business unit, with a focus on injury prevention awareness.

We also made organisational changes across AMEAA, to create a single HSE delivery function supported by a centre of excellence that directs policy, systems, processes and reporting. Serco Global Services identified fatigue as the root cause of some incidents at the start of the year. We issued global guidance on fatigue risk assessment and management to all divisions.

**The LTI rate fell from 611 in 2012 to 505 in 2013, a reduction of 17%.**



### LOST TIME INCIDENT RATE

*Incidence rate = No. of lost time occurrences in period / Average no. of employees for the period (FTE based on 8hrs) X 100,000*

**TO ACHIEVE A REDUCTION IN MAJOR REPORTABLE INCIDENT RATE (MRIR) PER 100,000 EMPLOYEES OF 57, REPRESENTING A 15% REDUCTION AGAINST 2012 BASELINE**

The number of major reportable incidents fell by 50% to 33 in 2013, resulting in a rate of 33.4 per 100,000 employees. This was well below our target of 57 and the UK Health and Safety Executive Total Service Industries benchmark of 91.5.

One third of the major reportable incidents related to road traffic incidents in Serco Global Services towards the beginning of 2013, which were addressed through the global guidance on fatigue discussed above. AMEAA has seen a significant reduction in major incidents, as a result of our safety initiatives over the last 18 months.

We also closely monitored major reportable incidents in our UK & Europe division, resulting in a continued reduction in the incident rate throughout 2013.

**MAJOR REPORTABLE INCIDENT RATE**

*Major reportable Incident Rate = No. of major reportable incidents in period / Average no. of employees for the period (FTE based on 8hrs) X 100,000*

**Major reportable incidents fell by 50% to 33 in 2013.**



Major reportable incident rate - Historically we have focused on all reportable incidents in line with our HSE Strategy our focus is now on the more serious of these, 'major' incidents. This change is partly driven by the UK HSE change from 3 day reportable to 7 day reportable events but more importantly it means we are focusing on the more serious events. Major Injuries are classed as fatalities, fractures, amputations, dislocations, loss of sight, chemical and hot metal burns, electrical burns, unconsciousness caused by asphyxia or exposure to a harmful substance and acute illness resulting from substance inhalation or ingestion.

**TO ACHIEVE A REDUCTION IN THE PHYSICAL ASSAULT RATE OF 558 PER 100,000 EMPLOYEES, REPRESENTING A 15% REDUCTION AGAINST 2012 BASELINE**

No employee should be subjected to either physical or verbal abuse. The physical assault rate fell by 23% to 482 in 2013, beating our target by 9%.

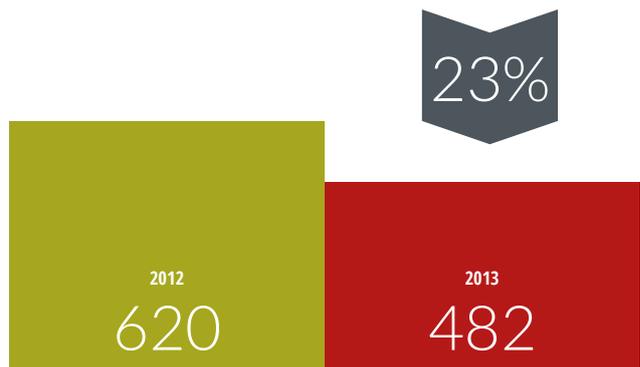
The risk of physical assault is highest in our UK & Europe and AMEAA divisions, reflecting the nature of some of their contracts, including prisons and immigration work. AMEAA has reduced the potential for assaults through controls such as intelligence reports and surveillance, training our people in de-escalation and situational response, and a violence reduction strategy in our New Zealand justice and corrections business.

**PHYSICAL ASSAULT RATE**

*Physical assault rate = No. of assaults / Average no. of employees for the period (FTE based on 8hrs) x 100,000*

UK & Europe has continued to raise awareness of reporting requirements and liaised with national HSE groups which focus on this topic. We continue to review and implement specific control measures across the contracts.

**The physical assault rate fell by 23% to 482 in 2013, beating our target by 9%.**



# ENVIRONMENT

*Serco's vision for zero harm also applies to the environment. It makes good business sense to protect our reputation and reduce our energy consumption and environmental impact.*

Our activities are typically managed locally but we are united in measuring our impact and reducing our environmental footprint. We also have contracts that improve our customers' environmental performance. For example, our environmental services for UK local authorities reduce the waste sent to landfill sites.

For 2013, we set the following environmental objectives:

## TO REDUCE OUR CARBON EMISSIONS HEADCOUNT INTENSITY RATE OF 1,967 TCO2E PER 1,000 EMPLOYEES

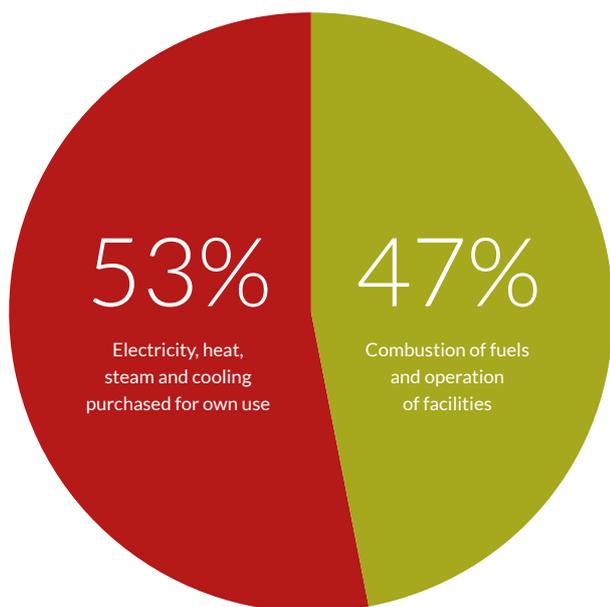
During the year, we changed the basis on which we calculate our carbon emissions, in order to meet the UK's new regulations on greenhouse gas reporting. We adopted ISO 14064-1 2012 – Specification with guidance at the organisation level for quantification and reporting of greenhouse gas emissions and removals, which resulted in us collecting a far more comprehensive data set across all our operations globally.

The profile of our business has also changed. For example, 2013 included a full year of the Northlink Ferries contract, which we took over in July 2012, and DMS Maritime, which we took full ownership of towards the end of 2012. This had a significant impact on our emissions, as these two operations make up around one fifth of the Group's total.

As a result of these factors, our emissions performance for 2013 of 4.04 tonnes of CO<sub>2</sub>e per full time equivalent (FTE) is not comparable to previous years. We will therefore use 2013 as the baseline for future reporting.

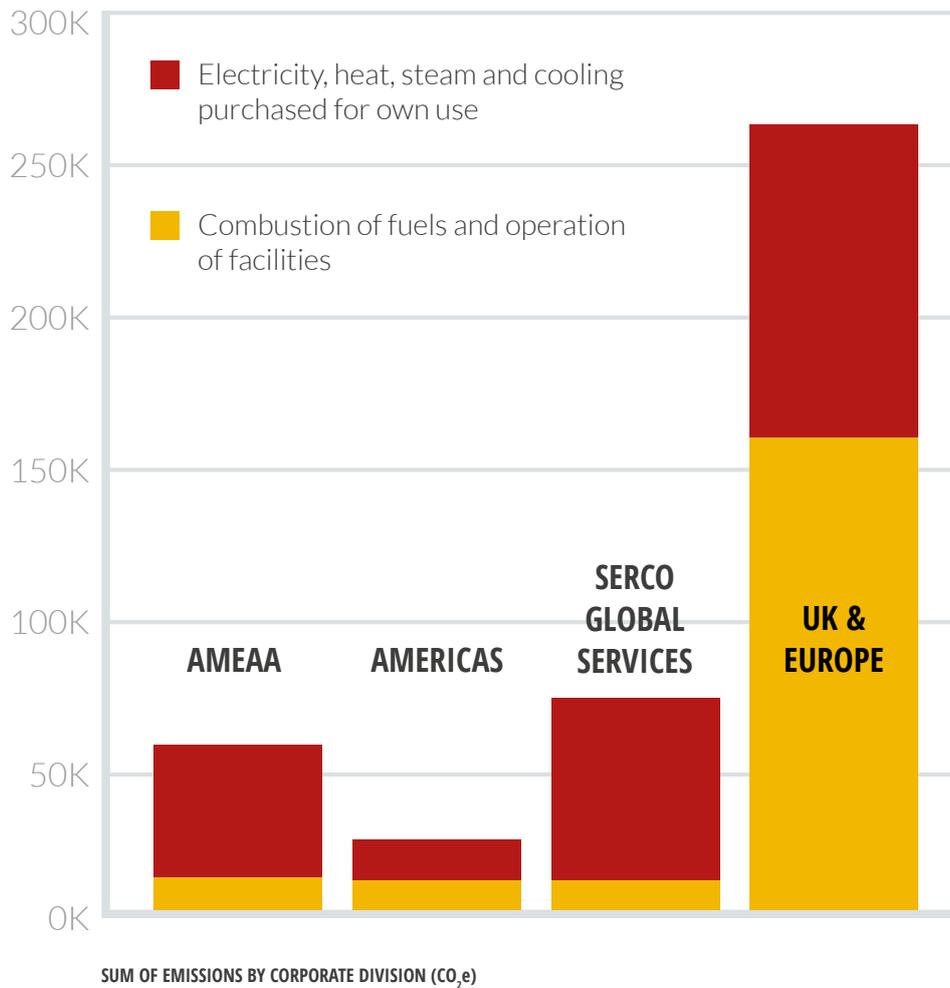
We have summarised some of the key data on our greenhouse gas emissions below. More details of our emissions reporting can be found in our 2013 annual report. We have also published a detailed 'basis of reporting' document on serco.com.

We continue to contribute to the Carbon Disclosure Project. In 2013, Serco achieved a score of 92% (18th equal in the FTSE 350) placing us into the Carbon Disclosure Leadership Index.



### TOTAL CARBON DIOXIDE EQUIVALENT (CO<sub>2</sub>e) BY EMISSION TYPE

*We have calculated our emissions using a materiality threshold of 5%, meaning we are confident that our emissions are within 5% of the total stated. These calculations have been verified by Carbon Credentials, an independent sustainability services provider.*



**GLOBAL GREENHOUSE GAS EMISSIONS DATA**

Our reporting year for greenhouse gas emissions is one quarter behind our financial year, namely 1 October 2012 to 30 September 2013. We have established this reporting year to ensure that the emissions information we obtain from supplier invoices is complete.

For the period 1 October 2012 to 30 September 2013:

EMISSIONS FROM:	TONNES OF CO <sub>2</sub> e
Combustion of fuel and operation of facilities	187,217
Electricity, heat, steam and cooling purchased for our own use	211,302
Emissions reported above, normalised to tonnes of CO <sub>2</sub> e per FTE	4.04



Waste and recycling at Sandwell, UK

## TO ACHIEVE ZERO ENVIRONMENTAL PROSECUTIONS, FINES AND ENFORCEMENT NOTICES FROM OUR ACTIVITIES

We once again received no environmental prosecutions, fines and enforcement notices.

The information below summarises the most important highlights about Serco's environmental performance. Details about the reporting approach are available in Serco's Basis of Reporting available at [www.serco.com](http://www.serco.com) and greater detail will be available in this year's Carbon Disclosure Project FTSE 350 submission.

CRITERIA	2009	2010	2011	2012	2013	2013 COMMENTARY		
<b>Total CO<sub>2</sub>e</b> (Tonnes)	The data reported for 2013 is as reported in the Annual Report and Accounts, and covers the period 1st October 2012 to 30th September 2013. Serco have quantified and reported to ISO 14064 and have utilised the Department for Environment, Food and Rural Affairs (DEFRA) 2013 conversion factors.  The approach taken is more inclusive, for example including estimated emissions where Serco are in rented or leased accommodation, and consequently it is not possible or appropriate to compare to previous reporting years. Consequently Serco are re-baselining from this year onwards, and for transparency, are publishing the approach to reporting in a document <a href="#">Basis of Reporting</a> which is available at <a href="http://serco.com">serco.com</a>				398,520	The increase over previously reported totals reflects a wider reporting scope, and has been verified to a reasonable assurance level by Carbon credentials Ltd.		
<b>Headcount Intensity</b> (tCO <sub>2</sub> e/1000 FTE)					4,035			
<b>Grid Electricity</b> (MWh)					403,942		The scope 1 and 2 electricity consumption now includes estimation for locations where Serco are in customer facilities or in leased accommodation but are responsible for the emissions	
<b>Gas</b> (MWh)					262,038			
<b>Diesel</b> (Litres '000s)					9,740			
<b>Petrol</b> (Litres '000s)					1,960		This year's report includes greater detail about consumption outside of the UK	
<b>Marine Fuel</b> (M Tonnes)					25,184		The majority of this consumption is from Serco's Northlink Ferries contract	
<b>Air Travel</b> (Miles '000)		53,854	40,437	16,416	This scope 3 information excludes AMEAA and Serco Global Services			
<b>Rail Travel</b> (Miles '000)		4,999	3,141	2,187				
<b>Carbon Disclosure Project</b>	50	79	88	92	92	Serco maintained its 2012 score		
<b>Prosecutions</b> (Number)	0	0	0	0	0	<b>2014 Target = 0</b>		
<b>Fines Paid</b> (£'000s)	0	0	0	0	0	<b>2014 Target = 0</b>		
<b>Enforcement Notices</b> (Number)	0	0	0	0	0	<b>2014 Target = 0</b>		

# COMMUNITIES

*Our communities are primarily the people who live and work around our contracts.*

Working with communities contributes directly to our business success. It helps to enhance our reputation and build trust with our customers and the public, by demonstrating that Serco is a values-led organisation. Engaging also gives us a better understanding of communities' needs, which can help us to win bids and to operate existing contracts successfully, particularly where we are delivering services directly to the public.

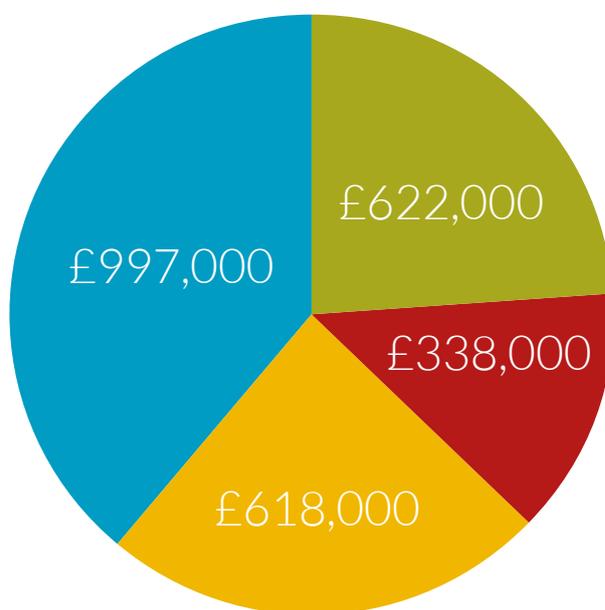
For 2013, we set the following objectives:

## TO CONTINUE TO INVEST 1% OF PRE-TAX PROFITS INTO WIDER SOCIETY

We invested £2,575,029 into society, through donations of money, assets and time. This represented 1% of our Adjusted profit before tax.

The chart to the right shows the activities that made up this total:

£2,575,029



### COMMUNITY INVESTMENT 2013

*We invested £2,575,029 into society, through donations of money, assets and time. This represented 1% of our Adjusted profit before tax. This chart shows the activities that made up this total.*

- Management time
- Cash donations
- Gifts in kind
- Staff volunteering

£11,705,000

Amount Serco has reinvested into society over the past 5 years

## TO PROMOTE AND SUPPORT THE SERCO FOUNDATION

2013 marked Serco's 25th anniversary as a listed company. In preparation for this milestone, we had established The Serco Foundation in the UK during the previous year.

Our employees voted for "children" to be the Foundation's cause for fundraising support. In response, the Foundation created the global 'Every Child Everywhere' initiative, a three-year commitment based on a belief that children everywhere deserve the best possible start in life.

During the year, the Foundation engaged our people and our communities to support nine child-related charities around the world. Some incredible individual and team achievements raised more than £400,000 for the chosen charities.



## TO USE THE SERCO25 CAMPAIGN TO ENCOURAGE OUR PEOPLE TO RAISE MONEY FOR CHARITIES

We wanted Serco25 to enable our employees to make a difference in our local communities, encouraging them to take part in numerous fundraising and other community events during 2013. These ranged from ultra runs to volunteering days to helping communities affected by natural disasters.

To showcase their efforts, we created a dedicated website so our people could see what their colleagues around the world were doing. The site had 220,000 visits, 14,444 registrations and more than 1 million page views.

As part of the Serco 25 campaign, our people not only raised over £400,000 for our nine child-related charities, but also raised more than £200,000 for other charities of their own personal choice.

There are some examples of activities our people undertook in 'Our Stories' section of the online CR Report: [www.cr2013-serco.com](http://www.cr2013-serco.com).

# MARKET PLACE

## CUSTOMERS

Long-term customer relationships are central to our business. Last year's events have demonstrated that being clear and transparent with our customers is fundamental to trusting relationships. While day-to-day responsibility for meeting customers' needs lies with our contract directors, our corporate renewal plan aims to increase the frequency and transparency of our customer engagement. This will help us to identify and respond promptly to their concerns. We are also placing customer satisfaction at the core of our management reporting and incentive structures, so we fully focus on giving our customers the high-quality services they deserve.

We will maintain relationships at all levels with our customers, so they are aware of how we can help them and we can anticipate their changing needs. These relationships lie with our divisional and Group leaders.

Our reputation with our existing customers is also vital to our success. Many factors influence our reputation, including:

- the quality of our service
- the trust of our customers
- our values and service ethos
- our capacity to innovate, and
- our engagement with our employees and other stakeholders, such as local communities.

## SUPPLIERS

Effective procurement helps us to deliver high-quality service. We aim to be professional in all our dealings with suppliers and to establish mutually beneficial relationships. We have a Procurement and Supply Chain function to do this and each division has a dedicated procurement business partner.

Serco works with thousands of small- and medium-sized (SME) suppliers and we continue to improve our interaction with them. Our Small Business Advisory Body in the UK is made up of representatives of SMEs from across the business. In the US, we have a supplier mentor programme which provides guidance to small businesses.

In June 2013, we launched a supplier code of conduct. This sets out the principles and standards we expect from those we work with to ensure we operate not just legally, but ethically and fairly.

### ETHICS

Upheld cases of anti-competitive behaviour - 0

Upheld cases of corrupt behaviour - 0

Upheld cases of human rights violations - 0

## JOINT VENTURE PARTNERS

Serco has many joint ventures with commercial partners and customers. Strong relationships, based on mutual trust and respect and clarity of roles, are essential ingredients. Our divisional management teams are responsible for these relationships, supported by members of the Group Executive Committee and Board as appropriate.

## STRATEGIC PARTNERS

We often deliver services as part of a consortium. This allows us to bring together companies with the skills to meet the precise requirements of a bid.

We are also an attractive partner for voluntary sector organisations, who often lack the scale and experience to access major government programmes. Responsibility for relationships with our strategic partners lies with the relevant contract and divisional management.

## SERCO MEMBERSHIPS

Serco is an active member of a number of sector and business-led forums, which consider Corporate Responsibility as one of their key issues.

### In the UK we are members of:

- Business in the Community
- Institute of Business Ethics
- Corporate Responsibility Group
- All-Party Parliamentary Corporate Responsibility Group (APCRG)
- Association of Chief Executives of Voluntary Organisations (ACEVO)
- Institute Public Policy Research
- CBI
- Business Services Association
- UK India Business Council.

### In Australia we are members of:

- CEDA – Committee for Economic Development of Australia
- Infrastructure Partnerships Australia
- Australian British Chamber of Commerce
- CEO Forum
- Australian Strategic Policy Institute
- Chamber of Commerce and Industry Western Australia
- Victorian Employers' Chamber of Commerce and Industry.

### In India we are members of:

- NASSCOM
- Business Process Industry Association (BPIA) which is part of Confederation of Indian Industry.

### In the US we are members of:

- Professional Services Council
- Defense Industry Initiative on Business Ethics and Conduct (DII)
- Public Affairs Council - <http://pac.org/>
- Capital Area Business Ethics Network (CABEN)
- British-American Business Association
- American Council for Technology - Industry Advisory Council.

### In the Middle East we are members of:

- Emirates Environmental Group
- Dubai Chamber of Commerce.

### In regard to global organisations we are members of:

- International Forum on Business Ethical Conduct (IFBEC).

# FUTURE FOCUS

*We have set the following corporate responsibility objectives and targets for 2014:*

**Our people:**

- To roll out our new leadership model
- To continue to build on best practices in engagement, and
- To add new functionality to MyHR and use the system to improve our efficiency.

**Health and Safety:**

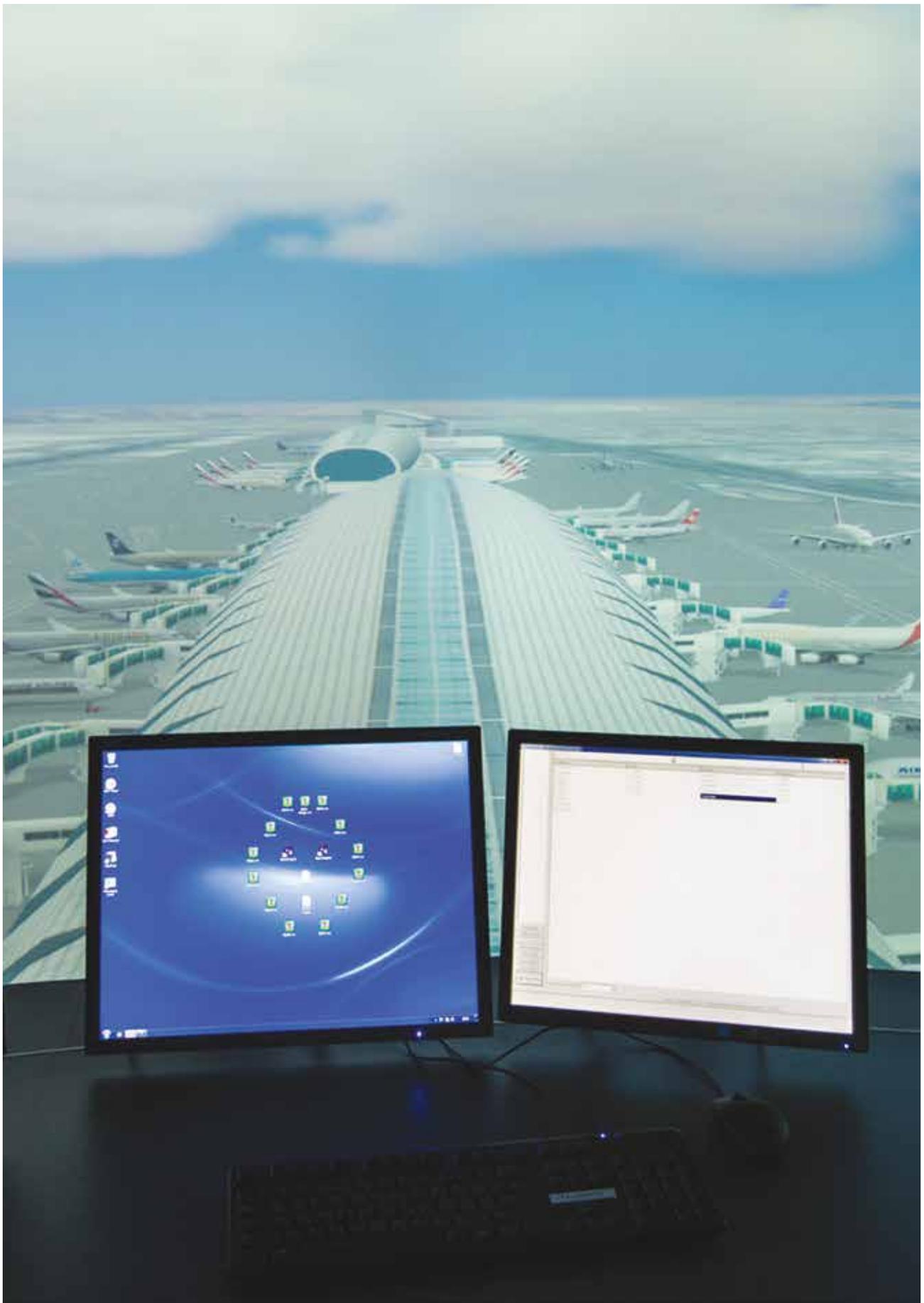
- To achieve an 8.5% reduction in the LTI rate to 462
- To sustain a major reportable incident rate under 40
- To achieve a 4.5% reduction in the physical assault rate to 460.

**Community:**

- To continue to invest 1% of pre-tax profits into wider society
- To promote and support the Serco Foundation
- To recognise exceptional contributions made by our people to the communities in which they live and work.

**Environment:**

- To improve the materiality threshold of our greenhouse gas emissions reporting for all divisions to 5%
- To reduce our carbon emissions intensity (tonnes of CO<sub>2</sub>e per FTE) by 3%
- To agree targets for divisional environmental initiatives, so we can monitor their impact.



TOSIM-1, the largest control tower simulator in the world at Dubai International Airport won Technology Implementation of the Year 2013.



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