serco

Serco Group plc
Corporate Responsibility Report 2015

Contents

First and foremost Serco will live by its values – Trust, Care, Innovation, Pride. They form the foundation for how we operate and how we recognise our responsibilities to our customers, the public, our employees, partners, suppliers, communities and the environment.

Being a responsible business means ensuring that we:
- comply with the law as well as meet the standards we have set for ourselves;
- deliver on our commitments and are open and transparent;
- engage and motivate our people, act safely and with respect for the environment and the communities we work in; and
- understand and minimise business risk and achieve appropriate financial returns.

By being responsible, we will support the communities we serve, strengthen our reputation and brand, enhance our financial performance and create sustainable value for our shareholders. Corporate responsibility (CR) is built into the way we operate through 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 business conduct and ethics including human rights, health, safety and the environment, and people to procurement and supply chain. Every employee completes training on understanding the principles of the SMS when they join Serco. This is supported by our Code of Conduct (codeofoconduct.serco.com), which applies to all employees from Board Directors to every member of frontline staff. Our Code defines what we are committed to do and the standards we expect.

Our Governing Principles define the behaviours we expect throughout Serco. Alongside the review of our strategy we have worked with employees to review them. The view was that they needed to be refreshed and simplified to ensure consistent understanding. The result is a set of values – Trust, Care, Innovation and Pride. While our Code of Conduct defines 'what' we expect, our values define the 'how', and with this the behaviours we expect from those who work for us. These will be rolled out in 2016 with supporting communications and tools to enable managers to have conversations with their teams on what they mean, where they work. They will be embedded in key people processes such as our leadership model and performance development reviews. We will monitor this through our annual 'Viewpoint' employee engagement survey. They sit at the core of how we operate and how we manage CR, details of which and our performance in the year are summarised below.

Managing corporate responsibility

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, human rights and business conduct.

The Board has ultimate responsibility for the Group's business strategy, which encompasses our approach to CR. Rachel Lomax is the Board sponsor for CR and chairs the Corporate Responsibility and Risk Committee (CRRC). More information on the CRRC can be found on pages 116 and 117.

This Board Committee has oversight of our approach to CR and its governance, ethics, risk management, security, and health, safety and environment matters. This Committee met four times during 2015, receiving at each meeting formal progress reports on the elements making up our CR framework. The CRRC Chair reports after each meeting to the Board on the Committee's activities, raising any specific issues for Board consideration and action.

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

Each CR element has a designated Group Lead responsible for engaging with divisional leads to develop an appropriate strategy, objectives and performance indicators, and monitor and report on performance to the Executive Committee and CRRC. Each divisional Executive Management Team, under the direction of the divisional Chief Executive, then develops specific plans to address the elements within the CR framework relevant to their business operations and strategy. Delivery of these and performance against agreed indicators are reported to the division's Executive Management Team and provided to the designated Group Lead for review, consolidation and Group reporting.

Ensuring ethical standards

At the heart of being a responsible business is a commitment to doing the right thing. We have continued to develop ethical governance through the divisional Ethics Leads, who report to the relevant divisional Executive Management Teams. They are responsible for the development and implementation of the division's ethics and compliance programme, managing our whistleblowing 'Speak Up' process and investigating and resolving issues raised.

The divisional Ethics Leads also form the core of the Ethics Oversight Group, which meets at least quarterly to review initiatives, issues and share best practice. This has included the implementation of an online gifts and hospitality register; completion of an ethics and compliance risk assessment to better identify risks across the divisions; completion of an independent review to assess how current compliance requirements are managed; development of improved processes for the effective due diligence of third parties; and development of a new question set for our 'Viewpoint' employee engagement survey to create a sub-index on culture within the main index, which was included in the 2015 survey.

Following an initial culture assessment in 2013, Navex Global were asked to complete a full follow up assessment in 2015 of our UK operations. Their findings were positive with many factors identified in their 2013 report having been addressed. This is best reflected by the fact that they found that 91% of line managers and supervisors, and 85% of all staff, either agreed or strongly agreed that Serco is committed to ethical business conduct. There remain areas where further improvement would be beneficial, and plans are being developed to address these.

We have continued our focus on training with ethical and compliance topics included within our 'Serco essentials' (mandated for all staff) and 'Serco essentials plus' (mandated for all managers and leaders) training. This has included training for all staff on our Code of Conduct, data protection, equal opportunity and diversity, and in addition for managers and leaders topics including competition law, anti- bribery and corruption, anti- money laundering and export controls and trade compliance.

We continue to operate our 'Speak-Up' process which is supported by an online whistleblowing case management system provided by an independent third party provider. Awareness of Speak Up continues to increase with the results of our employee engagement survey 'Viewpoint' showing that 83% felt they had received the information they needed to understand Serco's Code of Conduct (79% in 2014), and with 71% (70% in 2014) feeling they can report unethical conduct without fear (above the Aon benchmark average of 67%).

Of the Speak Up cases closed in 2015, 96% had been investigated. 63% of cases resulted in some corrective action being taken, typically relating to process improvements, 24% resulted in disciplinary action being taken against some / all of those involved, and a further 6% resulted in one or more employees being dismissed. 48% of the cases were closed within three months of the issue being raised.

An example of how we have sought to manage corporate responsibility is given on page 117 in the CRRC Report in relation to the independent investigation that was launched following a report by Channel 4 News in March 2015. This included undercover recording of staff at the Yarl's Wood Immigration Removal Centre, which is operated by Serco on behalf of the UK Government, making seemingly unacceptable and derogatory comments. A full copy of the independent investigation report, its recommendations and Serco's response is available on www.serco.com.

Ethics and Speak Up

Key Performance Indicator	2011	2012	2013	2014	2015	'14 v '15	Var %
Ethics							
Upheld cases of anti-competitive behaviour	0	0	0	0	0	0	-
Upheld cases of corrupt behaviour	0	0	0	0	0	0	-
Upheld cases of human rights violations	0	0	0	0	0	0	-
Speak Up Cases							
Investigated				95%	96%	1%	-
Corrective action taken				56%	63%	7%	-
Disciplinary action taken against one or more individuals involved in a case				15%	24%	9%	-
Dismissal of one or more individuals involved in a case				9%	6%	(3%)	-
Closed within 3 months				70%	48%	(22%)	-

People

We are trusted to deliver essential and life-enhancing services that our communities depend on. Delivering great service starts with our colleagues. We depend on their skills and commitment to deliver the services our customers expect. They contribute directly to our reputation and ability to grow.

We recognise the privileged role we are given, and that we must enable our people to deliver great service. We must also make it easy to manage our workforce with standard, simple and intuitive systems and processes:

- We want our leaders to be fit for the future, agile and adaptable, and clear on the behaviours and results expected of them.
- We want our colleagues to be highly engaged and passionate about service. We want them to share our values and a sense of personal responsibility for delivering great customer outcomes, and to achieve them time after time.
- We want our workforce and people management practices to have an unrivalled reputation for effectiveness and efficiency.

Leadership

We are seeking to continually raise the bar for the quality and capability of our leadership cadre. In part this has been done through the selection of new leaders and helping to clarify – for new leaders and those who have remained with Serco – what the requirements are for leaders in Serco. This will be driven through a Leadership Academy and specifically a programme designed as a gateway into a broader, ongoing curriculum for leadership development in partnership with a leading business school. The first cohorts will commence in 2016.

We recognise the importance to the business of attracting and retaining leaders, and the potential risk if we don't. We have therefore driven greater accountability and responsibility for ensuring the calibre of our leadership through our Talent and Succession processes in 2015.

In 2015, our Annual Talent and Succession Review was supplemented by quarterly reviews held between the Group Chief Operating Officer, Group Human Resources Director and Divisional Chief Executive Officers and Human Resources Directors, to ensure that actions committed to in the annual review are delivered and issues dealt with along the way.

In addition, there has been a greater focus on deeper dives into specific groups. Regular Talent and Succession Planning Boards were introduced in the UK Region across a number of Functional / Business areas. The Boards serve to identify potential emerging talent; identify succession challenges, opportunities and critical role and people risks; calibrate performance and potential ratings; generate draft succession plans; and agree actions and monitor progress.

Employee Engagement

We measure engagement through our 'Viewpoint' employee survey and drive improvement through our annual engagement roadmap.

Our engagement roadmap for 2015 was structured around quarterly focus areas targeting the key drivers of engagement, Group-wide, as per the 2014 results (connection to Serco, recognition, acting on employee feedback and use of employee knowledge, skills and abilities). Divisional activity to address these was additionally supported by the coordination of global best practice sharing and the provision of resources and communications.

In 2015, the survey was updated to integrate a series of questions regarding our working culture enabling greater focus on ethics, integrity, diversity and inclusion. As referred to earlier, a 'culture' index was added to the reporting configuration for the survey results, enabling automated reporting of employee engagement specifically regarding Serco 'culture'

The 2015 Viewpoint Survey was successfully launched and completed in Q3 2015 with a strong participation rate (76% across the Group, 92% for leaders). The results showed a 2% improvement in employee engagement and 5% improvement in leadership engagement. We will continue to focus on our priority engagement drivers: connection to Serco, learning and development, acting on employee feedback and recognition, in seeking to improve engagement further.

Developing systems and processes

During 2015 we continued work to identify and analyse opportunities for enhancement of our HR system's (MyHR) functionality and enhancements with additional services.

Our Learning Management System (LMS), fundamental to delivering essential compliance and behavioural training, and successfully implemented in the UK, went live across our businesses in the Middle East and AsPac.

Use of the LMS has been strong. From September 2014 to December 2015, the total number of users globally has increased from 250 (original pilot population) to 38,743. The total number of courses hosted on the system has increased from 12 to 495, and the total number of course completions to date is 219,361 (UK – 124,754; Middle East – 6,829; AsPac – 87,778).

Adoption of the LMS for business-specific training has been driven in AsPac, where capability to manage and report all training has been built for Serco Immigration Services (contributing approximately 100 courses to the catalogue), while the same capability has been established in the UK for Serco Marine (contributing approximately 250 courses to the catalogue).

Following the successful pilot for a new global recruitment solution at Fiona Stanley Hospital in Australia, the project to implement the system across our businesses in the UK, Middle East and Australia launched in Q3 2015. The implementation will be completed during 2016, including robust candidate tracking, talent pooling to create a searchable database of prospective candidates, and an extensive reporting and analytical capability.

These two implementation programmes continue our journey to globally consistent learning and recruitment solutions that will greatly improve our capabilities in those areas. Both integrate with our existing HR systems, driving further value. Although not initially in scope, both our North American and European businesses have been engaged with the intent to bring them into scope in future phasing.

Meanwhile, other new technology is being rolled out in our North American business and in the UK. In the US, we have successfully completed the implementation of a new employee performance management system, enabling our 8,500 US employees and managers to align individual goals with company business objectives and improving delivery of our annual performance review process.

In the UK, we have begun to implement a new absence management solution to drive improvements in managing planned and unplanned absence. The system went live to 4,500 employees in December and deployment of the system across our UK organisation will continue through 2016.

Diversity

Serco is a diverse business. We seek to value difference and work to create an inclusive and fair environment for all. We seek to treat people fairly and equally, accept and embrace diversity and, as far as is reasonably possible, reflect the local communities in which we work.

Serco seeks to ensure equality, diversity, inclusion, and anti- discriminatory practice in the workplace and community, offers fair treatment in every aspect of working life, and fosters a positive climate of employee relations with the intention that all employees are treated with respect and dignity. We adopt equality-proofed policies and processes to promote equality in the workforce and monitor its diversity (where allowed to do so by law).

According to our 2015 engagement survey, 76% of employees believe that Serco values diversity. This is up 1% from 2014. By comparison, the Aon global average external benchmark is 71%.

The 'Inspiring Women in Serco' network launched in 2015, sponsored by divisional Chief Executive, Liz Benison. Principal objectives for the network have been proposed and a 'Chapter-led' governance framework is being established. This complements an existing affinity group for women in management in our North American business. Currently there are three chapters at three different locations across the US meeting monthly. These groups will represent a network for our female talent across the business, focusing on communication, development and support while encouraging mentoring, relationship-building and the establishment of career role models. The learning from these groups is being shared with our other regions.

People KPIs

Key Performance Indicator	2011	2012	2013	2014	2015	'14 v '15	Var %
Staff Turnover							
% (Total excluding BPO business outside UK)	55.1%	23.0%	26.9%	26.8%	28.1%	(1.3%)	-
% (Total including BPO business outside UK))		145.0%	151.3%	140.4%	129.0%	11.4%	-
Gender							
Females (% of total workforce)	30.3%	34.8%	36.0%	36.0%	36.0%	-	-
Disability							
People with disabilities (% of total workforce)	0.5%	0.3%	0.2%	0.4%	0.6%	0.2%	-
Age Profile							
- % 16 – 24		27.55%	23.70%	26.27%	26.56%	0.29%	-
- % 25 – 40		35.74%	36.45%	39.51%	41.46%	1.95%	-
- % 41 – 54		16.43%	15.78%	19.73%	18.61%	1.12%	-
- % 55 – 64		7.43%	7.03%	8.93%	8.62%	(0.31%)	-
- % 65+		1.31%	1.18%	1.34%	1.18%	(0.16%)	-
- % undisclosed		11.53%	15.87%	4.23%	3.58%	0.65%	-
Proportion of days lost to sickness							
% of days lost to sickness	1.54%	1.43%	1.90%	1.60%	1.86%	(0.26%)	-

Note: The figures shown are representative only of employees for whom we have the relevant data. Current levels of performance are broadly in line with benchmark targets for the geographies and markets in which we operate; however we continue to try to improve them.

Human Rights

We clearly state in our Code of Conduct Serco's commitment to the protection of human rights. Specifically, our Business Conduct and Ethics policy and Group standard require us to respect the United Nations Declaration of Human Rights and the United Nations Guiding Principles on Business and Human Rights, and to comply with the national laws of the jurisdictions in which we operate. This includes recognising our obligations under the recently enacted UK Modern Slavery Act 2015.

We recognise that we can be a force for good and will consider operating in countries where there are known risks of potential human rights issues, provided we have an approach which we believe can be used to improve others respect for human rights.

We will not knowingly be connected to any direct breach of human rights and will seek to take corrective action if there are any breaches. We are committed to avoiding complicity in adverse human rights impacts or otherwise contributing to them, and where it is discovered that there is such complicity or a contribution we will take necessary steps to cease or prevent such contribution or use our leverage to mitigate any remaining impact to the greatest extent possible.

We use a Human Rights Decision Making Tree as a tool for evaluating the human rights impacts of the contracts we bid for and stimulating thinking around how any adverse impacts can be avoided or mitigated. If a human rights issue is uncovered, the issue will be reviewed by the divisional Executive Management Team for appropriate action and if significant and has an implication across the Group, or represents a significant reputational risk to the Group or clarification is needed on the Company's position, the issue may be raised to the Executive Committee for final decision.

The Investment Committee provides governance for large or high risk bids, rebids, acquisitions, disposals and strategic investments that are outside the delegated approval authority of the divisions. Included within this is determining Serco's position in relation to new geographic markets, opportunities or activities. Where those activities have been identified as presenting an ethical dilemma which presents a significant reputational risk across the Group, such activities will be considered by the Corporate Responsibility and Risk Committee on behalf of the Board and any material outcome reported or raised to the Board.

Human rights considerations are included as part of risk management. In addition to this, during 2015 each division completed an ethics, compliance and human rights risk assessment which included for example, the risk of slavery and human trafficking taking place in our business and in our supply chain.

During 2016, we will continue to monitor the outcomes of our third party due diligence and review business practices in identified risk areas.

In 2016 we will be reviewing training in regards to the protection of human rights and prevention of slavery and human trafficking in particular. We will also review how we engage with our suppliers and joint venture and strategic partners on these issues.

Human Rights

Key Performance Indicator	2011	2012	2013	2014	2015	'14 v '15	Var %
Human Rights violations							
Upheld cases of human rights violations	0	0	0	0	0	0	-

Marketplace

Customers

Our principal customers are national and local governments. We have more than 50 years' experience of helping them to achieve their goals. By focusing on the needs of the people they serve, we enable our customers to deliver better outcomes. Our front line delivery involves us in vital areas of public life, including providing safe transport, finding sustainable jobs for the long- term unemployed, helping patients recover more quickly, improving the local environment, rehabilitating offenders, protecting borders and supporting the armed forces.

Our reputation with our existing customers is vital to our success and to our prospects of future growth. Many factors influence our reputation, including the quality of the services we provide, how we deliver our commitments and how we engage with our customers and other stakeholders, such as the local communities. Developing and improving the relationships we have with our customers is central to us sustaining and growing our business. This is about living the values we stand by – Trust, Care, Innovation, Pride.

We continue to 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.

We have strengthened how we capture contractual obligations to ensure we are delivering on our commitments; we have improved operational performance reporting and review, both with our customers and internally; and looked at how we can strengthen and better manage customer relationships. These help us to ensure we can better identify and respond promptly to their concerns and confirm we are meeting commitments and expectations. We continue to place customer satisfaction at the core of our management reporting and incentive structures so we are fully focused on ensuring our customers receive the high quality services they deserve from us.

Suppliers

Our approach to procurement has four main strands: to make the most of the benefits of competitive supplier selection; to optimise the efficiency and effectiveness of our processes and resources; to drive sustainability throughout our supply chain; and to develop positive relationships with our suppliers. Our approach takes regulatory, statutory, ethical and sustainable factors into consideration when making decisions on the purchase of goods and the commissioning of services. We aim to be professional in all our dealings with suppliers and those we work with.

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

The relationship between Serco and its suppliers is an important component to achieving high performance in our business. In selecting suppliers, Serco works hard to choose reputable business partners who are committed to ethical standards and business practices compatible with those of Serco. We continue to enhance our systems and processes for choosing and managing our suppliers.

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

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

Joint venture partners

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

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

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

Strategic partners

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

Community

Our communities are primarily the people who live and work around our contracts, but our definition extends to include the third-sector organisations we partner with to deliver a number of our contracts.

We encourage our employees to volunteer their time to local projects. This not only benefits the community and builds the reputation of both Serco and our customers, but it also has a positive impact on the personal development of the volunteers. 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. It also helps us better understand community needs and to operate existing contracts successfully, particularly where we are delivering services directly to the public. Our community activities are as diverse as our business, and we manage them at a local level. In 2015 they included support for: the Nepal earthquake disaster relief; heart research; cancer care; Royal Flying Doctor Services; schools and universities; rural communities; the elderly; and sport and community groups.

We believe it is important to recognise and celebrate exceptional achievements by our employees, including those made to the communities in which we live and work. The Serco Pulse Awards (which has categories in relation to community, operational excellence, heart and people) recognise people at every level and from every part of the company whose behaviours are making a difference, and providing role models that help shape our businesses in the future. In 2015, 14 divisional pulse community awards have been recognised of which six received a Global Pulse Community Award.

Community Investment – 5 year analysis

Key Performance Indicator	2011	2012	2013	2014	2015	'14 v '15	Var %
Community Investment £'000							
Total	£2,532	£2,560	£2,575	£1,464	£962	(£502)	(34%)
Total % PBT	1.06%	1.02%	1.10%	-	1.00%	-	-

Serco Foundation

During 2015, the Serco Foundation Trustees developed a three-year strategy with a vision of being a pioneer in applying service business know-how to help charities deliver better outcomes for society. This will be delivered by supporting charities seeking improved performance, by giving access to Serco people, methodology and experience. In line with this, in February 2015 Serco and a global charity signed a collaborative agreement which enabled us to provide direct support to a project looking at the implementation of their routine immunisation supply chain strategy in India. The overall objective of this is to reduce the mortality rate in children under five.

We deployed two experienced members of our staff who, over a six-month period, worked with the supply chain strategy implementation partners in cold chain and vaccine logistics management to:
1. Develop a procurement manual for use by buying agencies across the supply chain and introducing
2. a stronger governance, forecasting and performance management framework
3. Redesign the National Cold Chain Vaccine Logistics Action Plan, to prioritise and maximise its efficiency and effectiveness.
4. Introduce international best practice to cold chain equipment maintenance practices and provide a performance measurement framework with a focus on achieving service outcomes

Overall, when the outcomes of their work have been implemented, it is estimated that it will enable an additional 500,000 children to be fully immunised every year.

Health and safety

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

A strong health and safety performance seeks to ensure the safety of our people and protects our reputation. Wherever they work and whatever their role, our people must adhere to stringent health and safety procedures. These procedures are embedded in the SMS and are the minimum standards that apply. A core element of this is understanding the safety risks we face as a business. During 2015 a review of the potential risks that could lead to a significant safety event were re-assessed along with associated controls. We operate in a number of heavily regulated, safety-critical areas, which place stringent requirements upon us. We seek to have the systems in place to deliver these requirements, as reflected in the regulatory approvals and licences we operate under. This also means that we have regular regulatory oversight. Together, these factors give us a strong controls framework for managing our HSE responsibilities.

We have also reviewed and revised our health, safety and environment strategy for the next three years. We recognise that until we meet our aspiration of zero harm there will always be more we can do to improve our processes and management systems, reinforce leadership and commitment and train and develop the health and safety capabilities of our people. We have developed some strategic objectives and set ourselves targets to track our progress. These cover:
- a drive to improve and focus on safety culture to increase leader and employee engagement, which we will measure through the 'Viewpoint' employee engagement survey
- to raise visibility and apply a consistent approach to the management and reporting of third party incidents, particularly in regard to contractors;
- to review and improve consistency in approach to how incidents are managed and reported with specific emphasis on lessons learnt and the sharing of these across the organisation
- to drive improvement and focus on environmental issues and management to support delivery of the Group's environmental target.

We monitor and have objectives around a number of performance indicators including lost time incidents, physical assaults and major reportable incidents. In 2015 we reviewed and restated our safety performance indicator definitions which are recorded on our safety management system 'Assure'. As a result of this and other system enhancements, we noted a number of anomalies in 2014 data which led to a full review of historical data. This identified a number of incidents which had been reported late and a number reclassified when the revised definitions were applied. We have therefore adjusted our 2014 data to reflect this along with resetting 2015 targets based on the revised 2014 baseline.

Reflecting the various safety risk profiles, we track our performance data for frontline operations separately from our BPO business which, whilst having a significant number of staff, is a low safety risk. This brings our safety KPI rates down. Given the offshore private sector BPO sale we will be basing our targets on the 2015 frontline baseline rather than the Group baseline, as this better reflects the risk profile of the Group moving forward.

Overall performance across our main KPIs has seen a deterioration in performance against 2014. This has been driven by an increase (24%) in numbers of physical assaults which typically results in lost time and the more serious assaults in major reportable incidents. This predominantly relates to our custodial / immigration operations in the UK and AsPac. This is not just a Serco issue but an industry issue and is one we take extremely seriously. For example, in the UK the National Offender Management Service (NOMS) reports that over the last two years there has been just under a 50% increase in serious physical assaults.

During 2015 we completed a detailed review of the risks, controls and initiatives being undertaken in the UK and AsPac to better understand and manage the risks driving physical assaults. There is significant work being undertaken and a range of initiatives being implemented, however the environment continues to evolve and this will remain a significant area of management attention and continue to impact our broader safety KPIs.

We tragically had two employee fatalities in 2015. One was a call centre operative who was killed in a road traffic accident in India and the second in the UK when a Prison Custody Officer received fatal injuries during a physical assault. Such incidents are fully investigated and where appropriate actions taken and learnings shared across the Company.

Lost time incidents

Lost time incidents (LTIs) relate to any work related occurrences incurring one full lost working day or more and provide a general overview of safety performance. The number of LTIs are normalised per 100,000 FTE to give the Lost Time Incident Rate (LTIR). In 2015 we saw a 10% increase in the number of LTIs compared to 2014. This has impacted our LTIR by 11%. This increase has mainly been driven by increases in physical assaults.

At 630 our LTIR is above our target for 2015 of 548. For just frontline staff, the last four quarter rate of 1,139 is also above our target of 981. The majority of physical assaults relate to our custodial / immigration operations. When these are removed slips / trips /falls and manual handling continue to be the highest contributors to LTIs with the underlying LTIR for the last four quarters for the Group at 346 and frontline operations at 673. This shows an underlying good safety performance across the business. Our target for 2016 is for a 5% reduction in our LTIR based on 2015 frontline baseline at 1,139 (2016 target 1,082).

Lost Time Incident Rate per 100,000 employees – 5 year analysis

Key Performance Indicator	2011	2012	2013	2014	2015	'14 v '15	Var %
Lost Time Incident Rate (per 100,000 employees)							
- Group	911	611	505	565	630	(65)	(11.5%)
- Frontline Operations (Excluding BPO)	1318	1194	1037	1012	1139	(127)	(12.5%)

Physical assaults

Physical assaults continue to be an area of significant management attention as we have seen across our custodial and immigration operations in both the UK and AsPac an increase in the numbers of physical assaults reported. To better understand this, in 2015 we completed a reassessment of the risk factors that are impacting our operations and the industry as a whole. These include: increasing issues around new psychoactive substances, often referred to as 'legal highs'; increasing gang- related violence; ethnicity, cultural mix and changing populations; consequence management; and the processing pathway for immigrants. Recognising this evolving risk profile we continue to drive a number of initiatives. These include five minute interventions to better manage initial contact; body worn cameras, placement strategy and heat map assessments. We work closely with our customers on this issue, for example in the UK we are active participants in the National Offender Management Service Violence Reduction Project.

As part of this review we have evolved our reporting to cover all physical assaults, as in previous years, but also now monitor those defined as serious physical assaults, i.e. those that result in physical injuries requiring medical treatment involving overnight hospitalisation in a medical facility or ongoing medical treatment.

For 2015 our physical assault rate at 689 (per 100,000 FTE) has increased by 25% against 2014, with 93% of all physical assaults coming from within our custodial and immigration operations. This falls short of our target (533) by 29%.

When just frontline performance is considered we still see a deterioration against 2014 of 26% in our rate and fall short by 30% against target (979). This reflects an erratic performance over the last five years which is reflective of the changing risk profile.

Within this the more 'serious' assaults make up 17% of all assaults. Our serious physical assault rate at 118 for 2015 is a 36% increase against 2014 (87). For 2016 our objective is for a 5% reduction in the 2015 serious physical assault rate at 218 based on 2015 frontline operations baseline (2016 target 207).

Physical Assault Rate per 100,000 employees – 5 year analysis

Key Performance Indicator	2011	2012	2013	2014	2015	'14 v '15	Var %
Physical Assault Rate (per 100,000 employees)							
- Group	640	620	481	549	689	(140)	(25.5%)
- Frontline Operations (Excl BPO)	930	1249	1035	1010	1269	(259)	(25.7%)

Major reportable incidents

Of the 581 LTIs reported in 2015, 53 (9%) were classified as 'major' incidents. This compares to 35 reported in 2014. The increase reflects the increase in serious physical assaults. Major Reportable Incidents (MRI) 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.

We normalise MRIs using the same base (100,000 FTE) as LTIs to produce a Major Reportable Incident Rate (MRIR). The MRIR for 2015 at 57.7 is a 54% increase against 2014 (37.5) and is above the target we set ourselves at the beginning of the year (30). In regard to our frontline operations our MRIR is 95.9.

As with the LTIs the principal contributors are those business units providing custodial or immigration services and specifically relating to either physical assaults on staff or injuries incurred during control and restraints, often intervening in violent incidents between prisoners. When these operations are removed the MRIR comes down to 31.2 which is just above our target of 30. Frontline operations excluding custodial / immigration operations MRIR is 51 which brings us closer to but still falls short of our target of 40. All MRIs are investigated and where identified corrective actions taken and lessons learned shared across the Company. Our target for 2016 is to achieve a MRIR for frontline operations of 91.

Major Reportable Incidents and Related KPIs – 5 year analysis

Key Performance Indicator	2011	2012	2013	2014	2015	'14 v '15	Var %
Major Reportable Incident Rate (per 100,000 employees)							
- Group	51.5	67.0	33.4	37.5	57.5	(20.0)	(53.5%)
- Frontline Operations (Excl BPO)	72.6	106.9	50.0	65.1	95.9	(30.8)	(47.4%)
Prosecutions							
- Number (see note 1)	2	0	0	0	1	(1)	-
- Fines Paid (£'000) (see note 2)	£285	0	0	£50	£200	(£150)	-
Prohibition Notices							
- Number	1	0	0	0	0	0	-

Notes:

1)   2011 – related to incidents in 2006 and 2009; 2015 relates to an incident in 2011

2)   2011 – related to incidents in 2006 and 2009; 2014 Breach of regulation 5 of the Merchant Shipping & Fishing vessels (health and safety at work) regulations 1997. Related to prohibition notice in 2011 regarding safe operations of liquid waste barges; 2015 Related to a prosecution by the Maritime & Coastguard Agency pursuant to the Merchant Shipping & Fishing vessels (health and safety at work) regulations 1997 where we were found guilty of failing to ensure the health and safety of workers on 3rd August 2011 when an employee tragically lost their life whilst working on the Woolwich Ferry, UK.

Environment

Serco's aspiration for zero harm applies as much to the environment as it does to health and safety. It makes good business sense to protect our reputation and reduce our energy consumption and environmental impact.

Across more than two thirds of our business, we are working on our customers' premises and are therefore not in direct control of the environment in which we operate. That is why collaborative working with our customers on environmental issues is important. Serco recognises its responsibility to ensure that any adverse impact on the environment is reduced, or where possible, eliminated by applying the most appropriate management systems at contract level – whether designed by our customers or by us.

Serco's activities are typically managed at a local level which means there are a wide range of initiatives in operation around the world. For example, in Americas in Arkansas we upgraded external lighting at our CMS contract and also completed environmental assessments at our fleet business unit facilities; in the Middle East our Dubai Metro operation received a Waste Management Award for a mobile phone recycling campaign; in our custodial estate in the UK we upgraded boiler and zone controls at Kilmarnock and upgraded building management systems at Dovegate, Lowdham Grange and Ashfield. Where we are not in control of the working environment, we support our customers in applying their own environmental management systems and objectives.

Where environmental initiatives have been identified, specific indicators relevant to the project are agreed so that delivery and where possible impact can be assessed. This is monitored within the relevant division and managed locally to ensure appropriate ownership and sustainability
of projects.

In 2015 the introduction in the UK of the Energy Saving Opportunity Scheme (ESOS) regulations required Serco to present to the Executive Committee costed energy reduction initiatives for a representative section of the business. Examples are rainwater harvesting systems; variable speed pumps to boiler rooms; and early upgrades to dated heating plants.

In 2015 Serco again responded to the Carbon Disclosure Project FTSE 350 (CDP) request for information, achieving an improved score of 99% compared to 97% in 2014, retaining us in the Carbon Disclosure Leadership Index.

Greenhouse gas emissions

Our reporting year for greenhouse gas emissions is one quarter behind our financial year, namely 1 October 2014 to 30 September 2015. We report our emissions data using an operational control approach to defining our organisational boundary. This follows the greenhouse gas protocol and defines how we meet the Regulations' requirements in respect of the emissions we are responsible for.

Serco quantifies and reports to ISO 14064-1 2012. We have used the Department for Environment, Food and Rural Affairs (DEFRA) 2015 conversion factors within our reporting methodology. We have also opted to use operational control as the consolidation approach, due to the nature of our business, with employees who are often on customer sites where no operational control is possible. As this approach is inconsistent with the financial statements, we have described the classification of reporting boundaries in detail in our Basis of Reporting 2015 document, which is available on our website, www.serco.com.

We report all material emission sources for which we consider ourselves responsible and have set our materiality threshold at 5%. These sources align with where we consider we have operational control. The emissions that have not been included in this year's report relate to refrigerant gases from air conditioning and refrigeration outside the UK. After analysis, we believe these emissions are immaterial.

We do not have responsibility for any emission sources that are beyond our operational control, for example, business travel other than by our own transport, and therefore do not report them here. Scope 3 emissions can be found in our annual Carbon Disclosure Project FTSE 350 submission.

In 2015 we achieved an overall materiality level of less than 5%, although not all divisions achieved it. Our objective for 2016 is for all divisions to achieve a materiality threshold of at least 5% for greenhouse gas emissions reporting. In some cases, we have estimated emissions based on similar Serco facilities. This is done, for example, where our staff work in leased premises but have no access to actual consumption figures. In other cases, we have extrapolated total emissions by using available information from part of the reporting period and extending it to apply to the full reporting year. This occurs for the rare occasions where

gaps are identified in our data.

The sum of all estimated emissions is below 5% of our global emissions, so we consider the potential for error to be immaterial.

In 2015 the total carbon dioxide equivalent (CO_2e) was 226,008 tonnes. This compares favourably to last year's emissions which were 368,012 of CO_2e and represents a 38% reduction over last year. This is due to changes in contributing contracts such as the removal of energy associated with the operation of Docklands Light Railway (December 2014) as well as reduced UK gas consumption as a result of mild weather and the impact of initiatives taken. Figure 1 provides a breakdown of 2015 emissions by type. Figure 2 provides a comparison of 2015 and 2014 Global Scope 1 and 2 emissions.

To express our annual reported emissions in relation to the scale of our activities, we have used full time equivalents (FTE) as our intensity ratio. This is the most relevant indication of the constantly changing nature of our business and provides the best comparative measure over time. Emissions reported have been normalised to 2.45 tonnes CO_2e per FTE (3.80 in 2014). Our emission intensity for frontline business was 3.53 tonnes per FTE (6.86 in 2014) and for BPO FTEs it was 1.17 (1.03 in 2014). For 2016 we propose to reduce our carbon emissions intensity (tonnes of CO_2e per FTE) by 3% for the frontline operations against our 2015 performance.

Environmental KPIs – 5 year analysis

Key Performance Indicator	2011	2012	2013	2014	2015	'14 v '15	Var %
CO_2e (Tonnes)							
- Total Group			398,519	368,012	226,008	142,004	38.5%
- % Electricity			53%	54%	46%	8%	-
- % Gas			12%	12%	7%	5%	-
- % Petrol			1%	0%	0%	0%	-
- % Diesel			7%	7%	13%	(6%)	-
- % Fuel Oil			8%	7%	2%	5%	-
- % Specialist Marine Fuel			19%	20%	32%	(12%)	-
- % Fugitive Emissions			0%	0%	0%	0%	-
Headcount Intensity (tCO_2e/1,000 FTE)							
- Group			4.04	3.80	2.45	1.35	35.5%
- Frontline Operations				6.86	3.53	3.33	48.5%
- BPO Operations				1.03	1.17	(0.14)	(13.6%)
Scope							
- Scope 1 Combustion of fuels & operation of facilities			187,217	168,381	104,387	63,994	38.0%
- Scope 2 Grid electricity purchased for own use			211,302	199,631	121,621	78,010	39.0%
Carbon Disclosure Project							
- % Score	88%	92%	92%	97%	99%	2%	-
Prosecutions							
- Number (see note 1)	0	0	0	0	0	0	-
- Fines Paid (£'000) (see note 2)	0	0	0	0	0	0	-
Enforcement Notices							
- Number	1	0	0	0	0	0	-