

values into actions

Serco Group plc corporate responsibility report 2004

What do we mean by 'corporate responsibility'?

For Serco, corporate responsibility is about living the values and principles that govern the way we operate as an organisation and behave as individuals. It is about ensuring we sustain safe operations... have a positive impact on our people, the communities we work in and the wider environment... and build the trust and respect of our customers and stakeholders.



2	anything's possible	The Serco TransArctic Expedition
4	our commitment	The governing principles behind our business
8	managing our responsibilities	Responsibility does not just happen: here is how we have built it into our business
16	health and safety	How we protect our people, our customers and the public we are employed to serve
24	people	How we are enabling our people to excel and working towards greater equality of opportunity
32	community	How we engage with and support every business and contract in its local community
38	environment	How we minimise our environmental impact



“Nobody on our expedition team
has ever seen a support team to match
Serco’s. It’s an extraordinary company,
with a gift for bringing out the
extraordinary in people.”

Ben Saunders

our commitment

What makes a good company into a great one?
Much comes down to one issue: responsibility.

Within Serco we are responsible for providing our fellow citizens with services that are essential for everyday life.

When you work in the heart of society, social responsibility should be second nature. And with that responsibility comes accountability. Our strong public service ethos means we take our public accountability very seriously.

We believe passionately that building positive relationships with our stakeholders is essential if we are to make Serco a great company.

This approach is bringing tangible benefits to the public. In the UK, children in Walsall are enjoying better schooling thanks to the partnership between the Serco team in Education Walsall, head teachers, their staff and governors and Walsall Council.

Partnership between Serco-run prisons, local drug rehabilitation teams, housing, employment and voluntary agencies is giving inmates a fresh chance of making a positive contribution to their families and to society.

In Hong Kong, the Council of Social Service has given us its Caring Company award for the third year running, in recognition of Serco's support for the community and commitment to corporate citizenship.

Serco's commitment to service and the community has also been recognised by Management Today magazine. In its independent 2004 survey, business leaders rated Serco as Britain's most admired support services company and the sixth most admired company. And we are particularly pleased that Serco came second in the Community and Environmental Responsibility category.

Our growing reputation reflects the hard work and commitment of many teams and individuals across the group.

Through them, we are succeeding in connecting with our local communities. And we are becoming more innovative in influencing our clients' approach to reducing environmental impacts.

We are proud of the safety culture that exists across our operations. In the past year we have integrated our approach to health and safety into our corporate responsibility model. This signals clearly to everyone in the business how broadly we define our responsibilities.

We have always said that Serco should be a company that instinctively 'does the right thing'. During the year we refined the governing principles that shape our behaviour (see page 6). We are embedding them in our processes and improving our performance monitoring to ensure that we apply them in practice.

“Serco’s penetration of new markets has been characterised by a willingness to enter uncharted territories and deliver innovation and excellence. Sponsoring Ben provides a great opportunity to remind ourselves that records and goals aren’t achieved without pushing the boundaries.”

Chief Executive Christopher Hyman at the launch of Serco TransArctic in 2004



Responsible people make a responsible company. We are fostering a culture where people take responsibility for what they do and are equipped to do so. We have improved the way we train our leaders and reviewed the open workshops available to all staff through the Serco Best Practice Centre. In line with our focus on employability, we have been working with KPMG and Business in the Community in introducing the UK government's innovative training programme in basic literacy and numeracy.

Our ability to make decisions quickly was reflected in Serco's response to the Disaster Emergency Committee (DEC) Tsunami Earthquake Appeal. Within 48 hours of the disaster we had committed £100,000 to the appeal and challenged our employees to match this figure through fundraising. By the end of the first week of January 2005 we had a global campaign underway and had pledged to sponsor Serco volunteers to work with Habitat for Humanity to rebuild homes in Sri Lanka. By mid-February 2005 our employees have raised over £70,000.

We are entrusted to bring better services to people's lives and that is a trust every one of us can make or break. So this report is not just an account of what Serco has done. More importantly it is a celebration of the countless individuals and teams who have earned public trust in Serco through their passion, innovative thinking and excellent delivery.

It also celebrates Ben Saunders who, with practical support from teams across Serco, became the youngest person to ski to the geographic North Pole solo and completed the longest arctic trek by a British person. In rising to this challenge, Ben inspired people all around the world. Confirming our belief that, if you are willing to go the extra mile, anything's possible.



Kevin Beeston
Executive Chairman
(centre)

Christopher Hyman
Chief Executive
(right)

Andrew Jenner
Finance Director
(left)

Corporate responsibility has always been important to us. It underpins our culture and values, which are unique to Serco and help distinguish us in our markets. It is not an add-on: it has been embedded in the Serco Management System, which shapes the way we run our business. And it is overseen by our Corporate Assurance Group that reports directly to the group board and takes an integrated view of all aspects of our corporate governance, risk management, health and safety, and social responsibility.

managing our business

Turnover:	£1.6bn
Pre-tax profit before intangible amortisation:	£74 million
Employees:	Over 40,000 including joint venture companies
Sales:	Government and international agencies – 92% Over 600 contracts – none representing more than 7% of sales
Operations:	UK, Continental Europe, Middle East, North America, Asia Pacific

managing our responsibilities

2004 Chief Executive Award for Leadership – to recognise innovative thinking and inspiring leadership

Elaine Simpson

Managing Director, Education Walsall, UK

Russell McGuigan

Managing Director, Serco Hong Kong

Our values are founded on the belief that to remain successful over the long term we must deal fairly, openly and honestly with our key stakeholders – employees, customers, investors and the wider community. To sustain our values, and bring them to life in the way we do business, we have developed a robust corporate responsibility model and strategy. These feed into our strategies on health and safety, people, community and the environment, ensuring a seamless and consistent approach. We continue to develop and refine them, and made some significant improvements in 2004.

Refining our responsibility model

Over the past few years we have created a framework to focus management attention on corporate responsibility (CR). By CR we mean living out our values and governing principles in the way we do business. This requires us to maintain a safety culture, impact positively on our people, the communities we work in and the environment, and earn the trust and respect of customers and stakeholders. It is necessarily a rather wider concept than the conventional view of corporate social responsibility (CSR).

We have aimed to integrate our vision of CR formally into the way we do business. The development and operation of this 'corporate responsibility model' has been overseen by a CSR Steering Group chaired by Serco's Executive

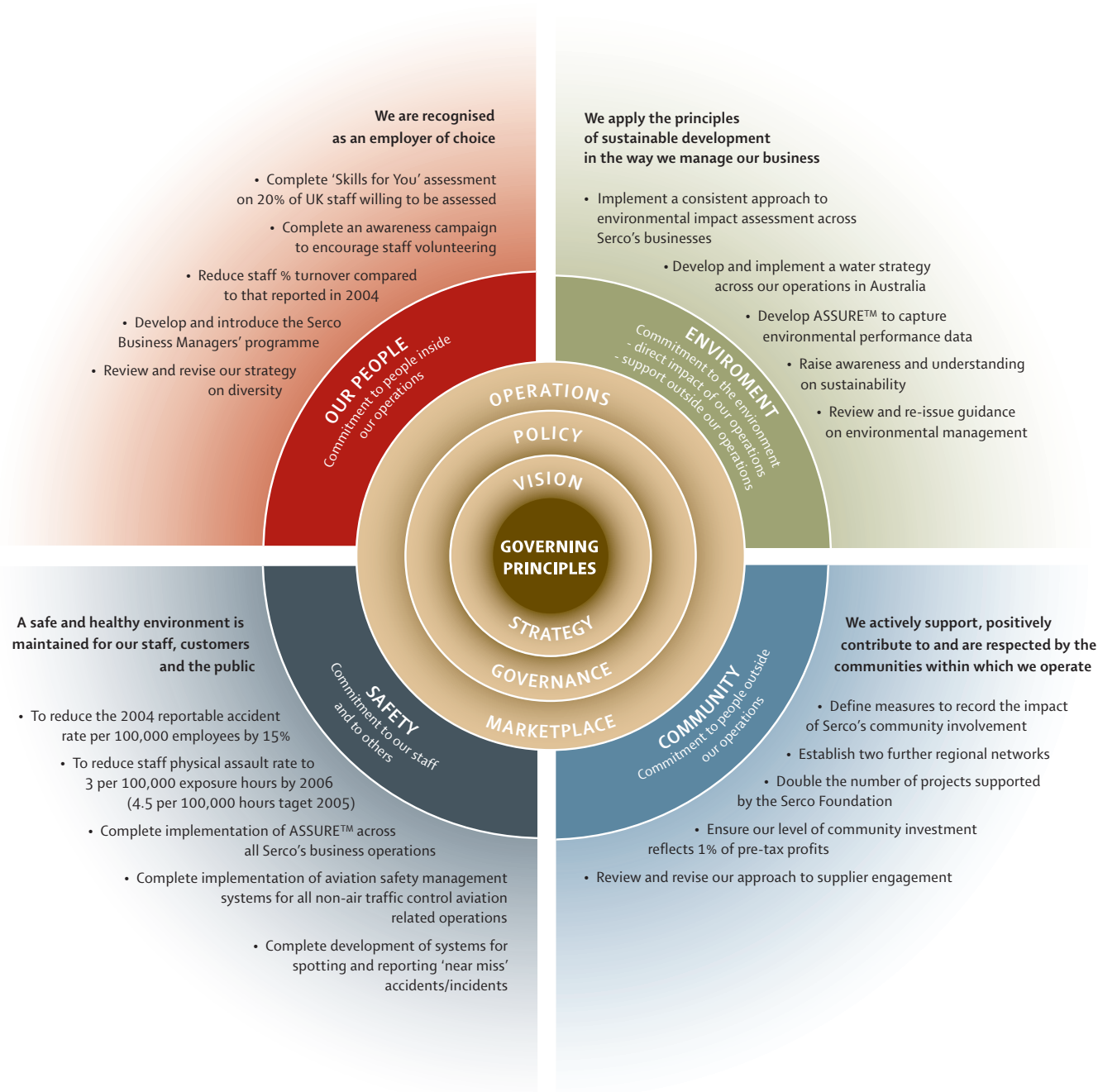
Chairman. This committee, bringing together representatives from each business division, helps our operating businesses develop and maintain effective and efficient CR programmes. It also gives guidance on CR issues and raises awareness and understanding through communication and sharing best practice.

Our risk management process specifically identifies the interests not only of shareholders, but also of other stakeholders that are likely, directly or indirectly, to influence the performance of our business and its value. These include customers, suppliers, staff, trades unions, government, regulators, banks and insurers. The interests of the wider community in areas such as social, environmental and ethical impact are recognised in the group's corporate responsibility programme.

For Serco, the most significant risks relate to strategic and safety areas; social, environmental and ethical issues, while recognised within a number of the group's risks, do not currently represent significant threats to the achievement of the group's strategy or to the wider community.

All our divisions, operating companies and contracts are required to develop their own CR programmes, supported by a network of champions. These champions are an integral part of the management team at business and contract level. They focus on building awareness and involvement, plan activities, review progress and report on activities and commitments.

Our original CSR model focused on three themes: people, community and environment. In the past year we have taken the logical step of including health and safety which has clear overlaps with our policies on both people and the community. With CR now an explicit part of the way we do business, we have been able to simplify the model.



Serco's Corporate Responsibility Model

Our new corporate responsibility model

Our new model is shown in the diagram opposite. At its heart are Serco's four governing principles. These are a restatement and refinement of the values that have long underpinned the Serco culture. They are the basis for all our behaviour and underpin our ethics and responsibilities. We will continue to promote them as a clear and memorable summary of what Serco stands for.

The model identifies four commitments, all interlinked in our day-to-day business activity:

- **safety:** commitment to our staff and others
- **people:** commitment to people inside our operations
- **community:** commitment to people outside our operations
- **environment:** commitment to the environment, involving both the direct impact of our operations and our willingness to influence factors outside our operations.

This gives us a balanced vision of our responsibilities, which now forms part of our whole business strategy and planning process. It will help to shape not only our existing business, but the way we partner and bid for new business.

Assuring our commitment

All elements of our corporate responsibility model are important to us. Our commitment to safety, our people, the community and the environment starts at the top with the group directors. While our Executive Chairman champions safety, community and the environment and our Chief Executive takes charge of people issues, all are ultimately responsible for policy and strategy and ensuring their effective implementation across the organisation.

Our policy standards and systems form an integral part of the Serco Management System. Each business division is required to include information on corporate responsibility objectives, initiatives and incidents in its quarterly assurance report to its board. This information is consolidated into a quarterly report for the group board.

The Corporate Assurance Group is responsible for assuring the application of company standards, legal compliance and continual improvement in relation to safety, the environment and community involvement. Its team includes full-time senior managers responsible for health, safety and the environment (Company Safety Adviser) and corporate social responsibility. Progress against its agreed strategic plan is reviewed quarterly by its board, the Assurance Network made up of representatives from each business division, and safety oversight groups that focus on specific issues such as rail and aviation safety.

The people aspects of our corporate responsibility model are overseen by the Group HR Director, who ensures that policy is implemented and the board is kept informed. A network of HR professionals across the group reviews performance with the aim of making our processes more effective.

The CSR Steering Group enables best practice to be spread across the group and ensures that all communities – both internal and external – are considered as we develop and deliver our strategy.

Stakeholder communications

To ensure our sustainability and safeguard our longer term contribution to society, we need to take account of stakeholders' views in our decision making process. We also need to explain what we are doing about corporate responsibility. So how do we maintain dialogue with key stakeholders?

managing our responsibilities

Employees

Effective two-way communication through well trained managers remains our principal channel of communication, supported by employee magazines and the Our World intranet. We maintain strong relationships with key unions and are currently establishing Employee Communications Forums in all our divisions. To support cross-divisional communication on stakeholder issues, we have been establishing regional networks both in the UK and in our principal regions overseas.

Customers

We have regular dialogue at contract level. Most contracts have regular review meetings where CR issues are raised and we can understand clients' own corporate responsibility aims. We also co-operate with clients on joint CR initiatives, an example of which is described in the environment section (see pages 38 and 39).

Investors

We maintain a programme of site visits and strategy presentations for institutional investors and analysts, designed to deepen understanding of the company and build dialogue.

Suppliers

We maintain dialogue with major suppliers and monitor performance through regular appraisals and site visits. However, we recognise that there is more we can do to engage suppliers in our thinking.

Community

Contract managers are responsible for maintaining contact with their local communities. At UK national level, our Executive Chairman and a number of senior managers sit on relevant committees of the Confederation of British Industry, Business in the Community (BitC) and similar organisations.

We aim to achieve high standards in all our communications, and in 2004 we were pleased to win UK national awards from the British

Association of Communicators in Business and the Investor Relations Society for our annual report and website respectively.

Corporate responsibility performance

The table (see pages 14 and 15) lists some of our key strategic objectives for 2004 and assesses how we performed. Overall we made encouraging progress, but it is taking us longer than initially planned to achieve a consistent approach to occupational health and wellbeing. And we are still working towards effective systems for spotting and reporting 'near miss' incidents where accidents might have occurred.

Our key objectives for 2005, based on recommendations from the steering group, are illustrated in the corporate responsibility model diagram (see page 10).

We participate in the BitC Corporate Responsibility Index as an objective assessment of our performance and to help identify issues we need to address. In the 2003 Index our total score was 85.77%, up from 79.4% in the previous year.

We maintain a deepening partnership with BitC and are working hard to improve our Index ranking this year. We are members of BitC's Regeneration Leadership Team, the Engage International Business Leadership Team and the Opportunity Now Leadership Team.

In Hong Kong we have joined the Citizenship and Leadership Team of Community Business, an associate of BitC. We have also joined the Corporate Responsibility Group, the membership organisation of CR practitioners from the UK's major companies.

In reviewing our internal audit process, undertaken by Grant Thornton, we have included the core process elements of our CR model to assure that they are applied in each division. Audit reports are reviewed by the group board's Audit Committee.

“They were able to apply what they do in their day jobs, which is to go into challenging situations and come up with solutions,” says Ben. “Most expeditions succeed or fail before you get out of the helicopter, and I’m convinced I had one of the best conceived, planned and supported expeditions of recent years.”

Ben’s support team was drawn from all over Serco. Few members had any prior knowledge of arctic expeditions. But, using Serco processes, they were able to transfer the skills of their daily jobs to a very different environment and work together as an effective team. Robert Smith, Project Leader, established a devolved management style allowing key decisions to be made quickly by those best placed to make them. In a fast-changing and dangerous environment, excellent communication channels and clear dissemination of information were essential.



2004 Objective	Business process	Safety	People	Community	Environment
Embed assurance objectives within the business planning/ commitments process					
Develop Serco's CSR model and align with core business processes					
Complete a safety culture survey across the business					
Complete a competency assessment of those with responsibilities for safety management, audit and review					
Create a focus on 'near miss' events through their definition and reporting					
Define and apply a group standard to improve the effectiveness of occupational health provision and health surveillance					
Raise awareness of Serco's process for and establish systems to monitor 'whistleblowing' across Serco					
Implement a structured programme based on Serco's commitment to employability					
Develop and implement a diversity model that reports and effectively manages the diversity of the Serco Group					
Establish a corporate consultation forum with the trade unions with whom we interact					
Establish three further CSR Networks					
Achieve 100% of contracts operating a recycling initiative					
Develop environment strategy based on the global contract environment impact survey					
Establish the Chairman's Recognition Awards					

Key Strategic Objectives for 2004

2004 Achievements

How much did we complete?

Revised business planning process in place with objectives established for 2005



Revised model developed and aligned with core business processes defined by the Serco Management System



Contour safety survey completed across 80% of UK business. Outcomes incorporated in 2005 safety plan



Policy standard revised to reflect competency requirements. Initial review shows appropriate competency across the business, related guidance materials updated. Full review to be completed



Process linked with implementation of ASSURE™ to capture data using the intranet. System has been developed to allow for recording, yet to be consistently used across the business



Revised policy standard approved. Divisions reviewing current provision against this standard



Policy standard and procedures in place and disseminated. All staff informed through new global employee handbook



Employee volunteering policy standard agreed. Programme 'Enabling People to Excel' launched. 'Skills for You' programme launched



Reporting framework in place. Women In Serco (WISE) initiative launched. Issue being addressed within divisional requirements



After internal review this approach has been changed and specific divisions are developing strategic relations with appropriate trade unions



3 new networks in place - Canada, East of England and Surrey/Middlesex/Hampshire



91% of contracts have a recycling initiative in place



Survey completed. Environment network group established. General guidance updated. Global performance measures being developed for 2005



39 awards issued in 2003. 2004 award process has now been completed



Safety first – assessing the risks

The Serco TransArctic Expedition involved serious and unpredictable hazards – another solo skier died within a few miles of Ben's tent on the first day. But risk management is a core Serco skill. "The reason I got as far as I did in the worst conditions ever recorded," says Ben, "is that we'd anticipated the risks. Of course things went wrong, but we had plans and resources in place to deal with them."

One thing we all agreed on was that we would not compromise on safety, either for Ben or for the support team. So when unprecedented environmental conditions forced us to take the tough decision to end the expedition, the pilots' safety was as important a consideration as Ben's. In contrast to some previous expeditions, the safe pickup won praise from the air logistics operation and the Canadian press.

health and safety...

Nothing is more important to us than the health, safety and welfare of our people, our customers and the public we are employed to serve. We are committed to embedding a culture throughout the organisation that recognises the importance of effective health and safety management. And we recognise the need to manage health risks as proactively as we already manage safety.

We have always taken our responsibilities seriously; whether it is taking preventative measures or responding to an incident. To improve we need to embed an ever more effective health and safety culture throughout the organisation to evolve our existing systems. Health and safety professionals alone cannot do this, and we see it as a fundamental part of every employee's responsibilities.

Improving the way we manage health and safety our ASSURE™ system (for gathering health, safety and environmental information) has now been implemented across the majority of divisions and will be fully operational across the group by the end of 2005. It is providing more accurate and timely information, enabling us to analyse trends

and causes more effectively. This analysis, followed by corrective action and groupwide sharing of best practice, will help us to improve our performance.

Our marine business reduced slips and trips by 37% as a result of adopting this approach in 2003, and maintained the improvement in 2004. Our rail operations have reduced vandalism, children trespassing on lines, passenger falls, and assaults on passengers and staff, all by identifying patterns and common causes and addressing them individually. The lessons we learned from the Docklands Light Railway's drive against assaults on staff in 2003 have become the basis for a best-practice policy against violence at work for all our businesses.



2004 Chairman's Recognition Safety Awards

- a safety initiative that has had a positive impact on the safety culture and/or environment in which Serco operates

Over the past four years we have been developing appropriate aviation safety management systems (ASMS) as we move towards an approach based on corporate assurance rather than narrow regulatory compliance. These systems are being developed and implemented globally, well ahead of any International Civil Aviation Organisation (ICAO) or national regulatory mandate. Our UK, Middle East and Bermuda aviation operations have implemented ASMS with appropriate regulatory approval or acceptance. In Canada we have submitted all the relevant documentation to the regulator for approval. In the USA 10% of sites have fully implemented ASMS and rollout is progressing on schedule. During 2004 we subjected all our air traffic operations to an independent internal baseline review against our aviation safety policy standard. This found sound systems and standards in all areas.

In parts of our business – for example, the Atomic Weapons Establishment contract – our health, safety and environmental management are world-class.

Individual awards

.....
Michael Mabey, Serco Metrolink, UK

Team awards

.....
Port Services & Support Craft, Australia

Serco Integrated Transport First Aid Team, UK

Williams Gateway Control Tower, USA

...ASSURE™ has been developed to include the capture of aviation and rail safety-significant events...

...A strong safety culture at our Moose Jaw contract has earned a rebate on our annual premiums to the Workers' Compensation Board, on the basis of no claims...

...Working on or near busy roads or motorways can be dangerous so to strengthen staff safety awareness all our staff at Serco Transport Management Services, UK, have received a new safety handbook...

Empowered to work more safely

Having pride in your work does not just feel good. It makes you safer, too. That has been the experience of West Yorkshire Transport Service (WYTS), UK, which cut days lost through accidents by an astonishing 96% last year.

WYTS runs 95 minibuses that carry 500+ special education needs pupils to schools and over 350 adults to day care centres in and around the Bradford area. When we took it over in 2001, sickness and absenteeism were high and so was the accident rate. Building a new culture has gone hand-in-hand with creating greater safety awareness.

"The keys were leadership and empowerment," says Geoff Binnington, Contract Manager. "We lead by example and genuinely want people to play an active part in decision making. We developed a positive partnership agreement with the unions that represent 55% of our people. And we involved both union and non-union people in representative committees: we now have a very active health and safety committee drawn from all departments. We have also grouped people into teams with high levels of autonomy. And we involve them directly in all risk assessments, addressing feedback from customers, and making appropriate changes to work practices."

There is a strong emphasis on safety training: the 250 staff members have attended an average of 2.65 courses apiece. And 82% have achieved recognition by exceeding operational and safety standards. "There is growing involvement in charity and community initiatives, too," says Geoff, "which as well as being part of a more responsible business raised over £5,000 last year."

The health and safety committee has led a turnaround in performance winning the Serco Chairman's Recognition Award for Safety in 2003. And results continue to improve. Year-on-year, days lost through accidents in 2004 were down 96%. Industrial injuries were down 68%. Road traffic accidents were down 44% to 14 – compared with 64 in 2002. And it is no coincidence that customer satisfaction is running at a record 98%.



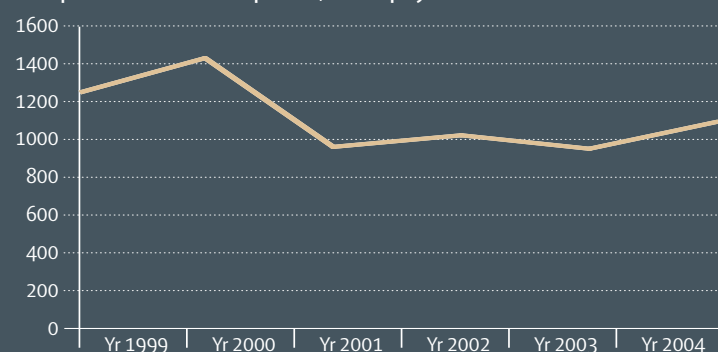
In others, there is still room for improvement. During 2004 we used Contour, a tool developed for the Confederation of British Industry (CBI), to measure our procedures and performance against world-class standards in three of our operating divisions. In 2005 we will be using the data as a basis for action to match the world-class benchmarks.

The graph (below) shows the overall Contour results. We are firmly placed in the 'world-class contender' area, and Serco's average score of 69/82 compares well with the sector average of 54/76. The final report concluded that 'health and safety performance is strong.'

Health and safety performance

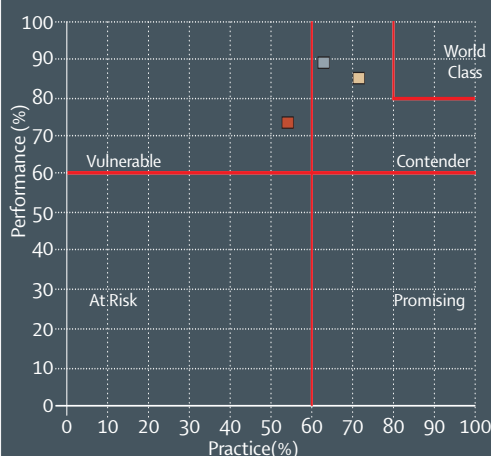
In conjunction with the implementation of ASSURE™ we continue to develop our systems and processes to capture performance data better across the group. We have now established standard performance criteria and definitions for all Serco's operations globally. Based on this we can report that our reportable incident rate per 100,000 employees for the group was 1,167 representing 347 reportable incidents. However, to understand

Trend Analysis '99 - '04
UK Reportable Incident Rate per 100,000 employees



Serco Summary, December 2004

Health & Safety Practice vs Health & Safety Performance
(relative to Overall Sample)



How Serco's health and safety performance compared with other organisations using the CBI's Contour benchmarking tool

- Overall Sample Average (62,89)
- Service Sector Average (54,76)
- Serco Average (69, 82)

any performance trends, previous regional definitions need to be considered.

In the UK our 2004 accident rate, on a like for like business basis, was 921 per 100,000 employees, a slight improvement on the 959 recorded in 2003. However, as Premier Custodial Group became a wholly owned Serco business in 2003, we have, for the first time, included its data in our UK statistics. This now brings the total incident rate for 2004 to 1,103 per 100,000 employees (see trend analysis graph above).

In Asia Pacific we have historically reported lost time incidents per 100 employees. On this basis our performance has dropped from 3.7 to 4.9 despite many good initiatives. One factor that has contributed to this is the inclusion for the first time of performance data from our Serco Sodexho Defence Services joint venture, which accounted for just under 50% of all lost time incidents, all of which were of a minor nature. A high level review is being undertaken by the division to understand why initiatives that have been in place over the year are not having more impact.

...Success in the National Rail First Aid competition qualified us to represent the UK rail industry in a St John Ambulance tournament with other industry winners and the emergency services...

...On the Docklands Light Railway we introduced DNA kits that can identify people who spit at staff – in 2004 this led to six identifications, two successful prosecutions and a 40% drop in offences...

There was also a dip in performance in North America, where the lost days incident rate was 1.47 compared with 1.3 in 2003. This was mainly due to an increase in accidents at two contracts where we have now stepped-up our health and safety improvement programme.

Our overall safety record earns a significant number of awards each year (see page 22). But we strive for continual improvement. So when things do go wrong we take urgent action to understand the causes and implement the appropriate response.

As we did, for example, when there were two separate but unrelated fatalities on trains operated by Great Southern Railway (GSR) in Australia. In addition to undertaking thorough incident investigations as required by the authorities, we also instigated an independent review of all aspects of GSR's safety management systems. While this found a number of minor improvement opportunities, which we quickly addressed, the overall assessment was that the systems were sound and effective. A recent regulatory audit confirmed these findings.

We gain valuable insights by examining trends across different business streams. As we win more business that involves dealing with the general public the issue of staff assaults, both verbal and physical, has become a concern. We have set a target in our UK rail operations of halving the staff assault rate by 2006 from six assaults per 100,000 exposure hours in 2003. We have put in place better processes to capture and understand the root causes and held two conferences to spread best practice. In 2004 we made a positive step forward, cutting the rate to 5.2 assaults per 100,000 hours.

...All Serco Government Services directors in the UK carry a health and safety checklist which they complete with the contract manager when they visit a site...

...A safety stand – down hour is held annually across our contracts in North America to focus efforts on overall health and safety objectives...

We faced one health and safety prosecution during the year. This involved a member of staff injured while dismantling an explosive device in 2002. Appropriate investigations and procedural changes were carried out at the time. Our Metroservice business, which runs the Copenhagen Metro, received a regulatory injunction after a low speed derailment of an out of service train in which no one was hurt. In the UK we improved our process for arrangements for the risk of staff assaults following an improvement notice.

While taking all these issues seriously and resolving them quickly, we were encouraged that the total shows an improvement against our reported performance in 2003 of two prosecutions, three prohibition notices and six improvement notices.

Positive relationships with regulators

In 2004 Serco developed a much closer relationship with the Health and Safety Executive (HSE), the UK health and safety regulator, in which the HSE helps us interpret and meet regulations rather than simply enforcing them. After auditing our operations, the HSE appointed a liaison officer to work with us to discuss our policies and strategies and advise on improvements. The project has built an open, transparent partnership in place of a 'policing' relationship, to the benefit of both sides. We have gained a better understanding of the HSE's priorities and how to meet its requirements, while also contributing to the regulator's own policy development.

We have similar relationships with all our regulators, including civil aviation, rail, marine and coastguard authorities. We will be using our experience with the HSE to build on these and develop them further.

Big Tick for train safety

Safety is the first priority of Serco Docklands. And in recognition of its recent safety campaign the company was a finalist in the healthy community category and won a Big Tick in the 2004 Business in the Community Awards for Excellence. Most people behave sensibly around railways, but not everyone. So our safety campaign targeted the three key at-risk groups: 5-10 year olds who need education about the risks; teenagers who 'surf' on trains; and adults intent on self-harm or with low understanding of the danger. Over 9,000 children have received the Stay Safe talk and leaflet and the Surfing Can Kill poster has been seen by over 20,000 teenagers. During the campaign there were no serious incidents involving children, and no surfing. All key stakeholders rated it a success, and it will now run annually.

...Safety cases, a legal requirement, were accepted by the relevant regulator for both Serco Railtest and Metrolink...

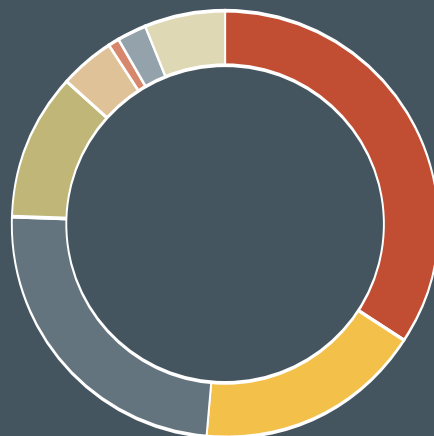


Work-related ill health

According to the Health and Safety Executive, some 75% of days lost in UK businesses are due to workplace-related ill health rather than accidents. We see workplace stress as a key issue and have been running stress workshops to help managers identify problems in their own teams and arrange support for affected individuals.

...In Hong Kong we've signed the Occupational Safety & Health Council's Workplace Hygiene Charter to raise staff awareness of workplace hygiene...

Each division has appropriate mechanisms to provide occupational health support to its staff. In the UK we have extended this provision to include a 24 hour Occupational Health Helpline. Manned by experienced occupational health professionals, it deals with problems effectively and efficiently. It has particularly helped employees working abroad. It can also be a cost saver, as advice given early can prevent further problems or the onset of sickness absence.



2004 Occupational Health

Workplace stress accounted for 34% of our reported occupational illness cases in 2004 - more than any other category, but lower than the previous year's 37%

- Workplace stress 34%
- Musculo Skeletal 17%
- Respiratory 24%
- Audiological 11%
- Visual 4%
- Skin 1%
- Work related upper limb disorder 3%
- Long term disability 6%

...Installing cameras and other traffic monitoring equipment on trunk roads is hazardous. But we have cut the number of safety incidents in the past year from 26 to one...

Serco's 2004 external health and safety awards

Royal Society for the Prevention of Accidents (RoSPA)

National Defence Sector Award

AWE consortium (4th year running)

Gold Medal: RAF Fylingdales

Gold Award: National Physical Laboratory (2nd year running)

Serco Transport Management Systems

Serco Docklands

Wishaw (Law) General Hospital

Serco Assurance

Serco Defence & Aerospace

Silver Award:

Serco Defence & Aerospace

Bronze Award:

Serco Integrated Transport

RAF Spadeadam

British Safety Council (BSC)

National Safety Award

HMP & YOI Ashfield

HMP Lowdham Grange

Sword of Honour HMP Kilmarnock

Five Star rating

HMP & YOI Ashfield

HMP & YOI Doncaster

HMP Lowdham Grange

HMP Kilmarnock

Premier Custodial Group Support Office

Four Star rating

HMP Dovegate

Saskatchewan Workers Compensation Board

Merit Award

NFTC Moose Jaw, for no lost time accidents

Scotland Health at Work Award

HMP Kilmarnock

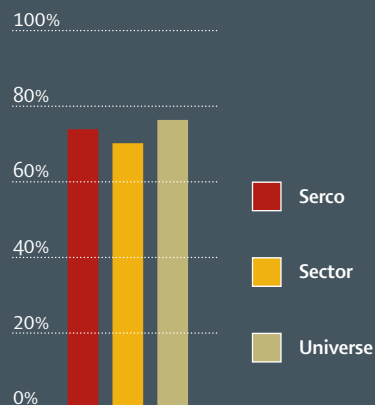


Safety Olympics

Serco's contract with BlueScope Steel at the Port Kembla Steelworks has been providing essential support services since May 2001. This includes security, loss prevention, first aid and fire training, fire prevention and emergency response. In September 2004 we took part in the first Safety Olympics at BlueScope Steel in New South Wales, Australia. Teams and individuals competed in events such as the greatest number of on-shift safety training sessions completed during the Olympics and the Best Safety Initiative. Serco's Wayne Quinn won gold medals for the Best Individual Safety Audit and Excellence in Overall Safety Performance. Alongside the Safety Olympics, Serco Illawarra also ran a Serco Chief Executive's Award for safety initiatives that would benefit Serco and our client, BlueScope Steel.

...We run 54 air traffic control towers in 11 US states. Any error sparks a root cause analysis. We do not have to do it. But we think we should...

BitC CR Index 2003 Performance & Impact – Occupational Health & Safety



Objectives for 2005

Our strategic objective remains unchanged: we want to maintain a safe and healthy environment for our staff, customers and the public. This year we will complete the implementation of the ASSURE™ (data collection) system across all our businesses. This will help us focus initiatives and effort to achieve a consistent improvement in performance. Particular areas of focus will be Asia Pacific and North America. We also aim to use the findings of the Contour study to develop and agree a new group health and safety strategy, and will review our HR processes to better incorporate health and safety considerations. As our rail contracts grow, Serco is emerging as a major rail operator: to ensure our processes keep pace, we are commissioning a strategic safety audit of our rail safety management systems.

Specific objectives for 2005 include:

- reduce the 2004 reportable accident rate per 100,000 employees by 15%
- reduce staff assault rate to three per 100,000 exposure hours by 2006 (4.5 per 100,000 hours target for 2005)
- complete implementation of ASSURE™ across all Serco's business operations
- complete implementation of aviation safety management systems for all non-ATC aviation related operations
- complete development of systems for spotting and reporting 'near miss' accidents/incidents.

Enabling people to excel

“Ben lacks sufficient impetus to achieve anything worthwhile”

School report on Ben Saunders

“Self belief is like a muscle,” says Ben. “The more you stretch it, the stronger it gets. And the converse is true. If you don’t stray outside your comfort zone, you never really progress. That’s what Serco TransArctic was about, ultimately.” That belief goes to the heart of our culture and values. Too many people achieve only a fraction of their potential and never discover their own North Pole. We wanted Ben’s expedition to inspire people throughout Serco not just at work, but also in their personal lives.

Since he returned from the Arctic, Ben and Tony Haile, Expedition Manager, have been running workshops with the Serco Best Practice Centre, focused on leadership, communications, teamwork and risk management. They use Serco processes to tackle real challenges and decisions that Ben and the team faced. Ben also spoke at Serco conferences and sites throughout 2004.

our people...

As our governing principles make clear, our success depends on enabling our people to excel. We continue to develop our human resources processes to create opportunities to enable this to happen and to treat our people with respect. And we have made substantial progress in our efforts to develop the diversity of the people we employ within Serco.

...37 individuals and teams were recognised and rewarded for outstanding achievement in the 2004 Chairman’s Recognition Awards...

Because of our distinctive business structure and global spread, we work with a variety of employment policies which reflect practice in different countries and sectors. The group has a wide range of contracts, many of which have involved taking over clients’ existing operations and staff.

In consultation with staff, customers and relevant unions we have now established policies which can be applied throughout the business. They cover issues such as equal opportunities, ethics, compliance with human rights, handling grievances and discipline, dealing with bullying and harassment, drug and alcohol abuse, volunteering and whistleblowing. They have been summarised in our first global staff handbook, which has been distributed to all employees.



2004 Chairman's Recognition People Awards

For individuals or teams who have carried out a truly outstanding act or achievement during the course of normal work activities that has had a major impact on the lives of a community or of an individual

Individual awards

Hermann Puschner

Serco Service Centre South, Germany

Bill Bunce

National Physical Laboratory, UK

Ann Pendleton

Merseyrail, UK

Ian Rooney

Merseyrail, UK

Suzanne Joly

Driver Examination Services
Dryden, Canada

Amanda Black

Wishaw (Law) General Hospital, UK

Team awards

Optical Frequency Team

National Physical Laboratory, UK

Louisville Gas & Electric and Kentucky Utilities, USA

For an outstanding achievement that has contributed to the success of Serco

Individual awards

Georgina May

HMP & YOI Ashfield, UK

Naomi McAuley

HMP & YOI Ashfield, UK

Danute Hinde

HMP & YOI Ashfield, UK

Jenny Calvert

Merseyrail, UK

Kevin Rogers

HMP Dovegate, UK

Bill Haight

Atomic Weapons Establishment, UK

Sean Bawden

Motorway Communications System
Installation, UK

Team awards

Great Southern Railway, Australia

Serco Government Consulting, UK

Education Walsall, UK

GÜZ, Germany

Music & Arts Team

Education Bradford, UK



...Employability and helping employees achieve their full potential is the theme of our Enabling People to Excel programme...

Skills for You

Over 5m adults in the UK lack basic literacy and more than 14m lack basic numeracy. This is bad for the country, and for the companies that employ them. But it especially disadvantages the people concerned.

So we have done something about it, by launching our Skills for You programme in conjunction with Business in the Community and KPMG. The programme is geared to the UK government's Skills for Life strategy for boosting adults' basic skills. It aims to raise the essential skill levels of our workforce and help our employees achieve their potential in and beyond the workplace.

The framework allows Serco employees to work at a time, place and pace that suits them through local colleges and other members of the Association of Learning Providers. Training in literacy, numeracy, IT and English for Speakers of Other Languages (ESOL) is tailored to individual needs.

In Leicester, for example, we employ over 530 people – many from ethnic minorities – providing support services to Leicester Royal Infirmary. To attract committed staff who can deliver the high quality service the public wants, we must be seen as an employer that helps employees develop their skills.

Helped by the local Learning and Skills Council, we have linked up with Loughborough College to deliver essential skills training in the workplace. In two pilot courses between September 2003 and June 2004, 16 cleaning staff achieved Level 2 qualifications – equivalent to GCSEs. They can now be considered for first line supervisory jobs and further leadership training. One, Mala Kathorian, is now a team leader. She says: "It's a fantastic idea, which has benefited me and other members of my team."

In Manchester, our Metrolink trams business extended Skills for You into the community by building it into the recruitment process. Through Jobcentre Plus, we offered a six-week pre-employment programme of numeracy and literacy training plus a spell of work placement. Of four pilot candidates, two were employed with Metrolink and the others gained valuable skills that significantly increased their employability. A fuller programme commences in 2005.

Understanding who we are

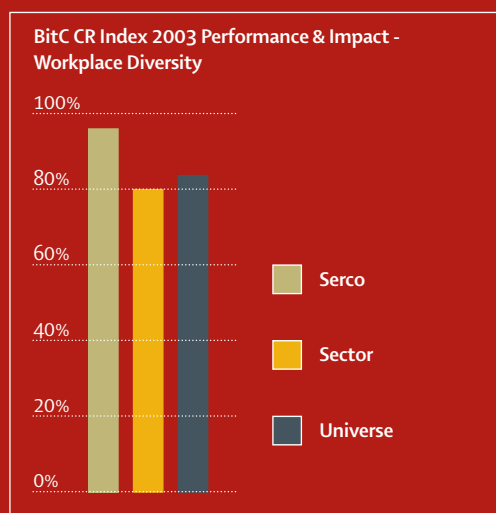
One of our principal objectives for 2004 was to improve our data on diversity and equality. So we are now collecting data consistently and globally – on equality and diversity, and a range of other factors such as sickness, appraisals and staff turnover.

The equality and diversity data includes information on gender, age, disabilities and ethnic origin.

This data will enable us to keep improving the way we monitor and manage diversity across the group and ensure that our vision of equal opportunities is fully delivered.

We want to be people's first choice as an employer and we want to attract and retain the very best. We are determined to keep raising our standards – not only in response to legislative changes but also to ensure that our employment practices are world-class.

We are working even harder to promote greater equality of opportunity and anti-discriminatory practices. For example, we are determined to eliminate gender inequality at work and improve the relatively low proportion of women in management positions, both in the UK and globally.



Our workplace diversity score in the 2003 BitC Corporate Responsibility Index shows Serco ahead of its sector and the average of all participating companies.

Working for equal opportunities

Analysis by a women's task force has identified three principal causes for this low representation:

- the shortage of female role models in management can undermine women's confidence and so becomes self-sustaining
- women in management can feel isolated and unsupported
- balancing work with family life can be a particular problem for women.

We are taking appropriate action:

- a mentoring scheme has been established and senior women have been trained to guide younger women coming up through the business
- we are building women's networks through meetings, a roadshow and an online network on the Our World intranet
- a range of more family-friendly HR policies are being introduced.

These actions are being driven by Women In Serco (WiSe), an initiative which complements our leadership, management and staff development programmes. Sponsored by the Group Chief Executive and supported by the Global Management Board, WiSe aims to foster a positive environment for recruiting, retaining and developing women in Serco.

In the UK we are also taking part in two equal pay pilots, sponsored by the Department of Trade and Industry. And a senior Serco manager – Suzanne Baxter, previously Chief Operating Officer at Serco Defence and Aerospace, now Director of the newly acquired ITNET – has been appointed to the advisory board of Opportunity Now, BitC's campaign against barriers to women's progress.

In all these initiatives we have been strongly supported by the relevant unions. We are encouraged by our progress to date, but there is still a long way to go before we will be satisfied. The challenge now is to maintain progress on gender while keeping up the pace in other diversity areas such as ethnicity.

...Premier Custodial Group's Training Academy in the UK now has almost 350 employees on NVQ programmes ranging from Youth Justice to Level 3 Management...

...The Serco-managed Ray Friel Recreation Centre in Orleans, Ontario, Canada, was voted employer of the year in the city's local business awards and its manager, Vanessa Robinson, was named Young Business Person of the Year ...

Serco's workforce in 2004

• Percentage of female employees	28.6%
• Percentage of ethnic minority employees	9.6%
• Percentage of employees known to have disabilities	0.7%
• Percentage of employees over 55	14.9%

...Our Leadership Programme is giving high potential individuals the essential skills they need to play a leading role in a complex organisation...

Concerns for people's wellbeing

Another objective for the year was to further develop our wellbeing strategy. This aims to ensure a healthy workforce and helps people to come back to work if they become ill. It embraces health and safety mechanisms, occupational health standards and supportive new drug and alcohol policies. We collect data that helps to identify problems in the workplace – for example, if a cluster of people become ill. We also provide counselling and support for people with longer-term health problems. We are focusing particularly on work-related stress: see the Health and Safety section for more on this.

Consulting and involving our people

Committed employees and stable industrial relations are crucial to the consistent delivery of high quality services. They are a major factor in maintaining the confidence of customers and end-users, giving us a significant advantage in winning and renewing contracts.

We see trade unions as key stakeholders in our business. We work constructively with them to develop and maintain positive relationships, with an inclusive approach to joint problem solving.

To help with this we have developed a training programme for our managers on working effectively with union representatives at local, national and international levels.

We maintain partnership-style agreements with unions that are recognised in our business, both in the UK and internationally, and continue to develop new ones. For example, in 2004 we established a national partnership team involving Serco and Unison, the UK's biggest public sector union.

We also began developing national protocols with unions including Unison and Prospect, the union of engineers, scientists, managers and specialists. These are framework agreements designed to support effective, consistent and constructive communications and negotiations at local level. They will set out mutually beneficial commitments that are approved and periodically reviewed nationally.

To make it easier for staff to take a stake in the company's success we have developed the Sharesave Scheme. This subsidised savings scheme is open to all employees globally and enables them to buy Serco shares tax-efficiently. There was a very positive response and the scheme was significantly oversubscribed.

Who wants to be an engineer?

Helping our employees to realise their potential is one of our guiding principles and essential to our own success. At RNAS Yeovilton in the UK, we recognised a growing shortage of skilled labour.

So we set up our own Modern Apprenticeship Programme, funded by the Learning and Skills Council, to train young people as engineers on all naval aircraft types. We are now licensed to provide engineering training to NVQ Level 3 – equivalent to a vocational A level. As well as the 15 employees on our Modern Apprenticeship Scheme, this training is open to all other staff: at present seven are working towards Level 3 in aircraft engineering. The Yeovilton NVQ Centre also supports our RAF Northolt contract with training for the NVQ Level 2 Ramp Operator qualification.

...Serco Services GmbH in Darmstadt, Germany, is co-sponsoring Azubimobil, a mobile advisory unit providing employment services to the young unemployed...



Language of opportunity

Project Butterfly aims to improve the lives of unemployed or marginalised people across Serco's European and Middle East regions. In Dubai, for example, we employ several hundred workers from the Indian subcontinent. As mentioned in the 2003 CR report, we are providing teaching facilities for those who wish to learn English, thereby improving their prospects of promotion within Serco or employment elsewhere. To date around 120 people have completed the course and there are long waiting lists. In the next phase of the project we are building a teaching facility/library/internet cafe. This will help our employees to learn additional skills and also to stay in touch with their families more easily. In Italy we are working with the local employment office to identify people from the disabled community to train with Serco on internet administration. And in Germany we have given work placements to 10 people for one to three years, after which they will either start full-time jobs with us or have new skills to take to other employers.



...After 20 years of fear and underachievement caused by dyslexia, Pete Kennedy is now studying for a Masters degree as a result of help and encouragement he received whilst working for Serco...

Developing our people

Commitment to lifelong learning is a core part of enabling our people to excel. Our groundbreaking training scheme with the Institute of Directors (IoD) is now well established. So far over 70 directors and senior managers have achieved the IoD Serco Certificate in Company Direction and 37 have achieved the Diploma. During the year we introduced distance learning to broaden the reach of the programme across the group and 11 non-UK based managers passed either the Certificate or Diploma.

Our broader leadership development programme aims to fast-track development of key people in leadership and management skills. At the end of 2004, 42 had joined or completed the programme and 22 will join in 2005. Over 70 people are completing a programme focused on programme and project management skills and a further 180 will follow them this year. We aim for continuous improvement in the courses themselves, and have reviewed all open programme workshops managed by the Serco Best Practice Centre. In addition to these group initiatives, training and development requirements are managed locally and each contract manager is required to develop and implement a training plan.

...27% of Serco Defence and Aerospace staff in the UK are involved in e-learning courses for IT skills with Learn Direct...

Skills for You is part of a global programme to develop the skills of our employees and the wider community. For example, in Australia Serco Sodexho Defence Services has run targeted recruitment campaigns through disability agencies and the Aboriginal and Torres Strait Islander communities. In Hong Kong we have participated since 2003 in the Student Attachment Programme of the Hong Kong Institute of Vocational Education. This provides two-month work experience attachments for Year Two students.

Objectives for 2005

Our objective – to be recognised as an employer of choice – remains the same. To achieve this we continue to develop our policies and practices on diversity. Another primary focus is leadership and performance management. We are introducing a new measurement for our management programme. Partly based on 'culture and values' performance, it measures against personal objectives and our governing principles. For contract managers this will include consideration of their contribution to Serco's corporate responsibility performance.

...Five pilot contracts have spearheaded our Skills for You initiative to deliver essential skills training to our staff...

To give coherence to our corporate responsibility initiatives across the group, we have adopted the theme of 'employability'. This is inspiring initiatives inside the organisation as well as outside, because we have included our own people as one of the three principal target groups alongside the long term unemployed and people with disabilities.

Based on this theme, we launched our Enabling People to Excel initiative in September 2004. We gave every contract a toolkit outlining what employability means to Serco, the thinking behind our commitment to employee volunteering, a host of core initiatives centred on employability, and recommended organisations that can support would-be volunteers.

We also provided details of our principal internal initiative in the UK, Skills for You (see page 26). This is a drive to provide basic skills training – in English, literacy and numeracy – to everyone in Serco who needs it. The scheme, which has strong union backing, offers assessments for all staff and provides basic skills and essential IT courses, with the opportunity to progress to National Vocational Qualifications (NVQs). We are working in close partnership with the Learning and Skills Council and the Association of Learning Providers to give our contracts a one-stop shop for national and local training providers.

Specific objectives include:

- complete Skills for You assessment on 20% of UK staff
- complete an awareness campaign to encourage staff volunteering
- reduce % staff turnover against that reported in 2004
- develop and introduce the Serco Business Managers' programme
- review and revise our strategy on diversity.

Alone on the ice – with a worldwide community

Throughout the expedition, Ben maintained two-way communication with a worldwide community through the expedition's award-winning website. A major US radio talk show told its 8m listeners this was "the coolest site on the net". In 11 weeks it received over 7.5m hits from over 40 countries. "You can't really feel lonely when hundreds of thousands of people are following you," Ben commented. "Or sorry for yourself when no expedition in history has had that level of interactivity. The messages from schoolkids saying I've inspired them to chase their dreams made it all worthwhile."

While Ben was on the ice, Tony Haile, Expedition Manager, was touring Serco-managed schools and young offender institutions. He gave talks to some 6,000 young people and said it was the most rewarding thing he had done.

community...


Serco is not separate from the communities it serves, we are part of them. That is why we believe that every Serco business and contract has a specific responsibility to play an active role in these communities. This helps ensure that we are sensitive to their needs and opportunities at the grassroots level.

...Serco Sodexo staff at HMAS Creswell in Australia help organise and run the Annual Christmas Camp for Illawarra/South Coast Region, bringing hope and happiness to children living with cancer...

To us the community is both external and internal. We continually review and develop relationships inside the business to be sure we can truly reflect our values to the wider external community through our employees. This takes time as sustainable relationships need to be nurtured and supported.

Creating supportive relationships

In our 2003 CR report we described how our businesses and contract teams support local communities through fundraising, work placements, supporting local schools, helping prisoners find homes and work, and using local suppliers wherever possible. This work continues, supported by strengthened Serco regional networks. These bring together people from



Ben, Congratulations and a Hearty Cheer for reaching the Pole!! Awesome show!! Visiting this site every day has been an inspirational reminder to me that with the courage to follow your dream, as well as determination, and perseverance, ANYTHING IS POSSIBLE!!!

By James Daly on Wednesday, 12 May – 05:25 am +0100 to www.sercotransarctic.com

our contract teams around the UK, Europe/Middle East and Canada. They help to share best practice and resources across our diverse business and provide rich reservoirs of expertise and skills.

We also build partnerships with external organisations that can meet both community and business needs. For example, in Manchester we operate the Metrolink tram system where we have been working with Chorlton Dyslexia Society and the Greater Manchester Passenger Transport Executive to make its ticket machines and signage easier to use. This work contributed to the design proposals for Phase 3 of the extension to the Metrolink system.

Our national membership of Business in the Community (BitC) in England and Wales gives us valuable access to local knowledge and expertise on social issues and opportunities to make a positive difference. At a strategic level it has also provided opportunities to be part of BitC's Regeneration, Opportunity Now (diversity) and Engage (employee volunteering) leadership teams.

2004 Chairman's Recognition Community Awards

For individuals or teams who have developed a community project or a specific fundraising initiative that has had a direct benefit to the community within which they operate.

Individual awards

.....
Michael Crossen, Serco Defence & Aerospace, UK

Team awards

.....
Serco Sodexho Defence Services HMAS Creswell Team, Australia

Serco Fire Team Bluescope Steel, Australia

Birkenhead Train Crew, Merseyrail, UK

Offenders Management Team, HMP Lowdham Grange, UK

Fleet Management-Seminole, USA

Serco Aviation Services Moose Jaw, Canada

Operation & Maintenance of 5 Wing, Goose Bay, Canada

Wattisham Airfield ATS, UK

...The National Physical Laboratory in the UK ran a six-week adult education course in science for non-scientific members of the public. It was so successful that we will be repeating it in 2005...

...Sports leadership award courses developed at HMP Lowdham Grange, UK, are being used to help students at a residential college for young people with special needs including severe challenging behaviour and severe learning difficulties...

...A set of football shirts donated to Afrikids were worn with pride in the charity's awareness-raising football tournament in Ghana...

Community support on tap

The Canadian town of Happy Valley-Goose Bay is surrounded by hundreds of square kilometres of unspoiled wilderness, which thousands of local people, particularly children, have enjoyed at the Labrador Christian Youth Camp (LCYC). Up to 50 different community groups, including Girl Guides and Scouts, use the centre for canoeing, hiking, and open-air church services.

But only for six months of the year. In winter, temperatures can fall to -30°C, freezing the camp's water supply, which comes from a nearby brook.

Serco is a well-established neighbour – we have a long-standing contract at the nearby Goose Bay defence facility. So the LCYC asked us to help it buy two 1,250 gallon water tanks and one 500 gallon tank and install them in a heated space under the main camp building.

Ivan Snow, a Serco design technologist, has been working with the LCYC for the past 10 years. We enabled him to drum-up support during working hours and he and his committee found a local plumber who volunteered to do the installation work at no cost. The new system was installed in the summer of 2004, with funding from Serco Goose Bay and the Serco Foundation.

As a result, the LCYC estimates that use of the camp will rise by about 20-30% this year, and more next year as word spreads. "Serco has helped the entire town of Happy Valley-Goose Bay," says Sandy Kershaw of Serco Facilities Management, "by making this great community resource a year-round option for all."



From Teddington to Hong Kong, Serco people from all over the world supported the endeavours of Ben Saunders to walk from Siberia to Canada by stepping out in a global Big Walk raising over £20,000 pounds for local charities ...



Our business in Hong Kong has recently joined the Citizenship and Leadership Team of Community Business, which helps organisations plan CSR activities.

In the UK we also belong to the Corporate Responsibility Group. This organisation for CR practitioners from the UK's major companies offers a support network, access to information and good practice and skills development. We are also pleased to support the Employers' Forum on Disability, which provides valuable information and best practice on disability issues.

Focus on employability

As we stated in our 2003 CR Report, employability is at the heart of what we can offer. In 2004 we implemented stage one of an employability programme. This is inspired by one of our governing principles, enable our people to excel, and sponsored by the Serco Foundation. It has three focus areas: our own people, disadvantaged people in our communities and young people preparing for the world of work. An important element is our Skills for You programme, described in more detail in the People section, to give basic skills training to Serco staff who want to improve their English, literacy, numeracy and IT skills. It is not confined exclusively to our own employees: wherever feasible, we plan to extend the courses to employees' families, Serco's suppliers and the wider community.

The employability initiative also encourages greater staff participation through volunteering. The second stage of the programme will encourage our businesses to see this as a key part of staff

Adopting a school

Almost all Serco Leisure sites have adopted a school as part of an initiative developed by Ian Phelps, Director of Serco Leisure in the UK. In the South Midlands, for example, six primary schools have been given free use of leisure facilities for PE lessons or sports days, equipment donations and coaching in sports ranging from basketball to badminton. Teachers have been trained as swimming instructors and Serco staff attend assemblies to promote healthy eating and water safety. In Aylesbury, staff volunteers teach underprivileged children to swim.

development, as well as a way of contributing to the community.

We are delighted to support the international charity the Duke of Edinburgh's Award as a chartered member. This organisation helps young people develop the skills and abilities that we seek in our future employees. We provide additional support by linking Serco's e-recruitment system into the Award's website and through the provision of a bursary scheme for Award participants.

Investing in the community

We measure our community investment against the BitC benchmark of 1% of pre-tax profits. The many hundreds of community activities across Serco worldwide added up to a total 2004 investment of £795,157 in cash and kind, including employee time and related management time. This was an increase of 8% on 2003 (£648,566) and represented 1.4% investment based upon profits before tax after intangible amortisation. The pie chart (see page 36) shows a breakdown.

...Yvonne Liesenfeld's father works for Serco in Bonn. But she joined Serco in Winchester, UK, for six months' work experience as part of her university course...

...We're serving the community in Moose Jaw, Canada, by providing on the job training opportunities...

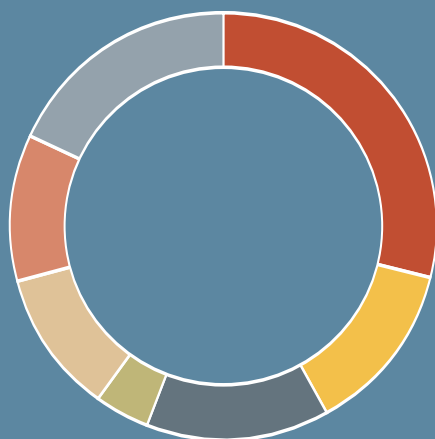
Uplifting but truthful

When a charity for seriously ill and disadvantaged children approached our Hiser Group business in Melbourne, Australia, we were delighted to help it build a new website. The Ilhan Foundation was established in 2004 to work in partnership with existing charitable organisations that help children, often providing in-kind assistance. "We created a good look and feel for the site and found appropriate images – something uplifting but truthful," says Gerard Mitchell, Project Manager. We worked free of charge so the Ilhan Foundation could direct its funds to where they are most needed.

...Six secondary school students completed a six – week business enterprise course with Serco Assurance in the UK...

... Serco businesses in Florida, USA, played a vital role in supporting the State's authority during the devastating 2004 hurricane season. Our weather observers and fleet maintenance people went beyond the call of duty by unhesitatingly volunteering their services, often not knowing how their own families were faring...

These figures include donations made by the Serco Foundation, launched in November 2003, to provide additional financial support for community projects chosen by our employees and businesses. In its first year the Foundation contributed £52,100. Grants included £800 towards a garden for young adults with learning disabilities, created by our air traffic services team at RAF Wattisham in the UK, a £10,000 bursary to help disadvantaged young people take part in the Duke of Edinburgh's Award, £1,500 towards a sports wheelchair for one of our employees, the Canadian Goose Bay initiative described (see page 34), and £5,000 towards building a teaching facility/library/internet café in the Middle East for employees who want to learn English (see page 30).



2004 Community Investment - £795,157

- Charitable donations 29%
- Community involvement 13%
- Facilities in kind 14%
- Assets in kind 4%
- Professional & technical expertise 11%
- Volunteering 11%
- Management time 18%

Internal recognition

We believe it is important to recognise and celebrate exceptional achievements by our employees. The first Chairman's Recognition Awards in 2003 were a great success, attracting 149 entries. This year we received 141 entries and the winners of the 37 awards are listed in the relevant sections in this report. We also introduced the Chief Executive Award for Leadership given to people for their inspiration and leadership. Two awards were made in 2004 (see page 8).

Objectives for 2005

Our essential goal is unchanged. We want to support the communities where we operate, make a positive contribution to them and earn their respect. This year we aim to improve the way we share best practice across the group. As part of an overall review of the Serco Best Practice Centre's training programmes we are working to make corporate responsibility an integral part of management and leadership courses.



From Walsall to The Gambia

Last October Heather Scott, an advisory teacher with Education Walsall, flew to The Gambia with 10 other volunteers on a challenge to make a difference to the lives of the people in the village of Medina Salaam. This was her opportunity to take part in a project she had admired and supported for two years.

The Serco Foundation sponsored the trip and Education Walsall gave her the time to go. Friends and colleagues from the Education Development Centre and Walsall schools made donations and gave resources. Her suitcase was crammed with paper, pencils, crayons, glue, card, scissors, tape recorders, skipping ropes and first aid items. Further resources followed on by container.

Resources in the village school are basic and minimal but the two teachers – and the children – are enthusiastic. Heather worked with the teachers and helped them develop small group activities.

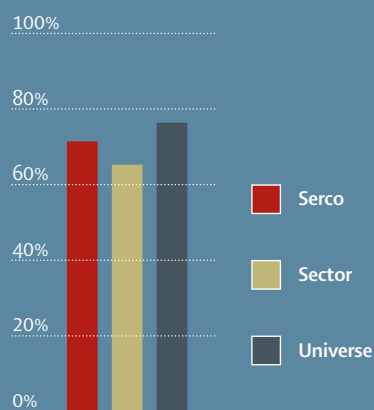
Conditions in the village are tough. While the volunteers were there, two children in the school died, as well as a mother and her newly-born triplets. Another of the volunteers' aims was to establish a village health programme.

Heather intends to visit the village again and has joined a newly formed education team linking up with the project workers at the school. The aim is to give continued support to the teachers and to offer guidelines to any volunteers going on their own challenge to the village. She says she learned a lot about teaching, and about helping teachers build on the skills they already have.

The memories Heather will treasure included learning and teaching 'heads and shoulders, knees and toes' in Mandinka, a little girl calling out to her, "Teacher!", and the sheer enthusiasm of the children. And she brought back plenty of experiences to share with colleagues and schools back in Walsall. As well as photos, video, audio tapes and sketches, she also brought her own drum, which she learned to play in The Gambia.

...In Leicester, UK we've been providing support in kind to an innovative and inspiring local community project, the Peepul Centre...

BitC CR Index 2003 Performance & Impact - Community Investment



Our community investment score in the 2003 BitC Corporate Responsibility Index shows Serco third in its sector.

Specific objectives include:

- define measures to record the impact of Serco's community involvement
- establish two further regional CSR networks
- double the number of projects supported by the Serco Foundation
- ensure our level of community investment reflects 1% of pre-tax profits
- review and revise guidance on supplier engagement.

...Our two naval base contracts in New South Wales, Australia, host 10 young adults with learning disabilities, who come to help out once a week: "We've really come to appreciate these young people and look forward to their visits," reports Col Shaw, Contract Manager...

Chilling impact of global warming

Nine times on his walk, Ben had to don a dry-suit and swim, towing his sledge. The Arctic ice is melting fast. “It’s got 40% thinner in 40 years,” he says. “And by the end of the century people are predicting you’ll be able to sail across the Pole. I didn’t get to Canada because there’s just too much water. I’m not an eco-warrior, but it’s palpably obvious to me after three visits in four years that things are changing very fast. We do need to think a bit more about this. I like to think that expeditions like Serco TransArctic help to shine the media spotlight on what’s happening.”

Throughout our businesses we have used Ben’s experience to highlight global warming and to encourage people to save energy both at work and at home.

environment...

One of our four governing principles is to build trust and respect by operating in a safe and socially responsible way. This means we must enhance the environment in which we operate wherever possible and make any negative environmental impacts from our activities as small as we reasonably can.

...We are supporting a scheme at BlueScope Steel’s Port Kembla Works in Australia that’s helping to cut fresh water use by over 50% – saving 20 million litres a day, equivalent to 20 Olympic sized swimming pools...

In the past year we have broadened our thinking from a purely ‘environmental’ view to a greater emphasis on ‘sustainable development’. This looks at the social and economic impacts of everything we do from design, development and procurement, through operation to the eventual disposal of waste materials. This affects factors such as the way we buy products and the way we employ contractors, and we are currently developing an ethical sourcing policy.

Working with customers

In over two-thirds of our contracts we work on our customers’ premises so have no direct control of the environment in which we operate. Constructive

partnership with these customers on environmental issues is essential if we are to develop and deliver meaningful policies for sustainable development.

The good news is that, as we raise our commitment to sustainable business practice, our customers are doing the same. So we can work with them to improve performance and influence policy. For example, in Germany we provide technical and infrastructure management services at an industrial site in Schrobenhausen. This includes providing environmental management information on various site environmental impacts and producing a detailed annual environmental report for the customer. We have also completed a project at



a facility in Ulm which allows 7,300 cubic metres of waste water to be safely fed back into the site's water supply every month.

In Canada we have been retained by the Department of National Defence to monitor environmental conditions in drinking water, effluent water, as well as surface water systems. In Australia, Bluescope Steel at Port Kembla is the largest user of fresh water in the southern hemisphere. It recognises the need to reduce this consumption and has asked all its contractors, including Serco, to help. And for the past 16 years we have been providing a range of facilities management services for Airbus UK at Filton, including waste management, segregation and recycling in support of the site's ISO 14001 certification.

We are aiming to ensure that 100% of Serco contract and support offices have at least one recycling initiative. In 2004 the figure was 91%, up from 86% in 2003. We continue to encourage every contract

2004 Chairman's Recognition Environmental Award

An environmental project by an individual or a team that has improved business efficiency and/or demonstrated commitment to and involvement in environmental and/or conservation initiatives.

Individual awards

.....
Phil Roberts, Windsor Airport, Canada

Team awards

.....
Jonathan Wood & Harry Campbell, Serco Assurance, UK

Kevin Allen & Charles Peel, HMP & YOI Doncaster, UK

Serco Joint Services Command & Staff College, UK

...Doncaster prison in the UK uses hawks rather than poison to control pigeons and we believe it was the world's first prison to achieve ISO 14001 environmental certification...

Managing the environment

Doncaster Prison in the UK is, we believe, the first in the world to achieve ISO 14001 certification for environmental management. It won that distinction in 2001, after the management team decided to make environmental management an integral part of the way the prison operates.

All environmental impacts are closely monitored with the aim of ensuring that the prison's overall environmental effect is minimised. Since 2000 it has cut gas consumption by over 10% and electricity use by over 3%. The prison has developed its own sustainable purchasing policy and is providing environmental consultancy to some of its suppliers. It is also helping colleagues at Dovegate Prison and Hassockfield Secure Training Centre with their own environmental management plans.

The prison's wide-ranging environmental programme has generated new opportunities for prisoner rehabilitation. With help from the Yorkshire Wildlife Trust and inmates, the environmental team has greatly enhanced the ecological value of the land in and around the prison. There is now a butterfly garden, new trees, bird and bat boxes, and a new grass-cutting regime to encourage wild flowers. The next project is to create a species-rich meadow to attract insects, small mammals and breeding birds.

Soon inmates will be cultivating wild plant species in the prison's greenhouse and polytunnels for the local council to use on sites around the borough. And a project is under way to create a rehabilitation unit for birds of prey. It will care for injured birds as a service to local vets, and release them into the wild when they are fully recovered.

There is also an emerging partnership with SITA, the local authority's waste management contractor. With SITA's help, the prison's resettlement team aims to set up a waste and recycling unit at the prison. This will significantly enhance the prison's existing facility and provide a training ground for future employment. The resettlement team has already found a job for one ex-inmate with SITA.

With these and other projects, Doncaster's staff have found imaginative and practical ways to meet environmental, community, social and business goals all at the same time.



...Sercos Landscaping in the UK won a silver medal at the Hampton Court Flower Show for a garden built entirely from recycled materials...

...An award for the most sustainable organic garden was created as part of our sponsorship of Richmond in Bloom in the UK...

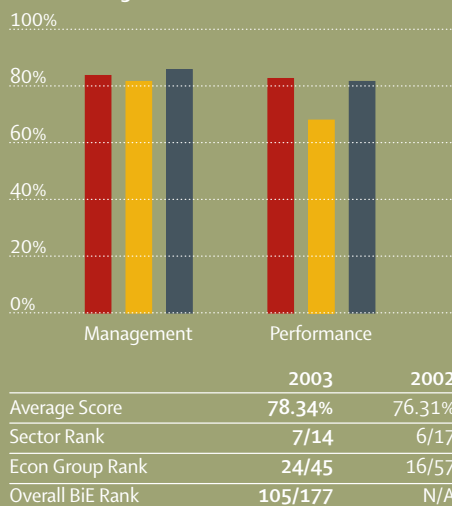
team to review its processes and redesign them to minimise environmental impact or consumption. This also, of course, improves business efficiency. In North America all new staff are given a new brochure that emphasises their personal responsibility for protecting the environment whilst the company pledges to provide the equipment, training and information they need.

In the UK, following a successful pilot at Kilmarnock Prison, Premier Custodial Group is introducing showerheads that reduce shower water consumption by 40%. And we have worked with our customer at RAF Halton to introduce new firing range operations based on an environmentally friendly method of de-leading that uses chopped rubber rather than sand.

In Australia, Great Southern Railway has begun a programme to refit its carriage fleet with onboard retention toilets. And Defence Maritime Services has developed and implemented a 'bridge card' system on its vessels to support masters' compliance with maritime conservation and raise employee awareness.

The ideal time to build-in environmentally sound processes is when we are bidding for new work. Our recent Defence Academy Campus Integrator bid – to design, build and operate new training facilities for the UK armed forces – included environmental considerations in both the design and operational technical solution. Our successful Environmental Services bid for Beckland District Council included an innovative operating model that integrated streetscene and environmental services teams. This evolved into Minimum Miles™, which deploys the nearest available team – maximising vehicle utilisation and cutting travel time, environmental impact and costs.

8th Business in the Environment Index - Overall Management and Performance Benchmark



Our overall scores in the 2003 Business in the Environment Index show Sercos ahead of its sector and in line with the average of all participating companies

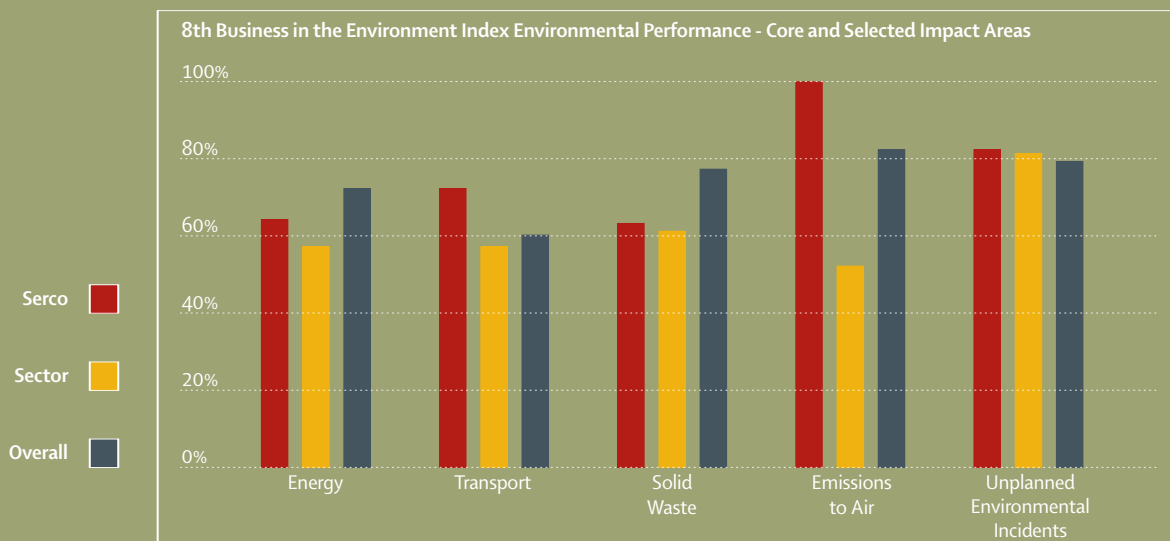
■ Sercos
■ sector
■ average of all participants

Monitoring environmental performance

We are well-established participants in the Environment Index compiled by Business in the Community (BiC). Our score for 2003 was 78.34%, up more than two percentage points on the previous year. This compares with a score of just 34% in 2000. But we are not complacent and we recognise our environmental responsibilities and will continue to strive to improve the way we manage our environmental impact performance.

The group-wide environmental survey we conducted in 2004 has given us a deeper understanding of issues across the business and we have fed the findings back to all divisions. We are using these findings to enhance our environmental management policy on both monitoring and management of the group's environmental impacts.

...Five Sercos volunteers carried out a detailed biodiversity study of the Defence Academy campus at Shrivenham, UK – all in their own time...



...Following an appeal by the Royal Air Force, two Serco employees volunteered to carry out conservation work at RAF Halton, UK...

...In Goose Bay, Canada, discharges from washing heavy equipment parts prior to maintenance or repairs is being treated as hazardous waste rather than being put into the municipal sewers ...

Two areas we intend to focus on are waste minimisation and energy conservation, and have formed an Environmental Working Group to improve both performance and data gathering across the business over the next 18 months.

To date we have been unable to produce aggregate statistics on our environmental impacts because of the diversity of our organisation and the relatively low proportion of contracts (32%) where we have full control and can monitor our performance. In these cases the individual contracts collect data that is appropriate to their operations. For example, our prisons monitor energy, water usage and waste. In our rail business, where we buy energy direct from suppliers, we measure usage. Across our leisure business we measure utility usage as well as water and air temperatures to more effectively manage our environmental impact.

To gain a better understanding of our impacts in contracts where we have control, we aim to have systems up and running in 2005 to gather figures on energy use, CO₂ generation, waste management

and water use. As reliable aggregate data becomes available from mid-2005 onwards, we will be able to analyse our performance and target reductions methodically.

Following the introduction of fuel cards for our UK car fleet in 2003, we now have data on the fleet's CO₂ generation and fuel consumption. In 2004 our fleet averaged 1,726 vehicles and produced 2,895 tonnes of CO₂.

During the year there were no reportable environmental incidents in the UK and only five in Asia Pacific. All were minor and we took appropriate actions. The only significant number of incidents was at Goose Bay in Canada, where our performance was in line with the previous year with 34 minor hazardous materials releases recorded. This reflects the much stricter reporting requirements in Canada.

Meeting environmental standards

A number of contracts are working towards certification to the ISO 14001 environmental standard. In October 2004 Railtest became the latest business to receive certification. At the end of 2004 we held 10 certifications. This is one down on 2003, reflecting the loss of two contracts which held ISO 14001 certification. Premier Custodial Group remains the only operator with UK prisons certified to ISO 14001.

Australian packaging

Serco Medical and Dental Logistics brings vital supplies to Australian ships and bases around the world. And to keep those supplies safe in transit we used packaging fill – a potential contributor to land and marine pollution. But not any more. We are now using Green-Pak, a biodegradable product made from Australian wheat. It is reusable, inexpensive, light and water soluble. In fact, if you tire of army rations you can even eat it. "It's a tremendous product," says Colin Towart, Group Manager Consumables, "it benefits everyone – our packers, Defence personnel in the field and, of course, the environment."



Environmental action assured

Serco Assurance has installed video conferencing at its main sites. It aims to save over 250,000 miles of car driving each year, cutting atmospheric CO₂ emissions by about 72 tonnes. At Risley, staff who cycle to work raise 50p a day for charity. Risley staff volunteers have helped clear invading birch trees which threatened a local peat bog that is a Site of Special Scientific Interest. And the Harwell team planted new reed beds on a bird reserve where the Royal Society for the Protection of Birds (RSPB) is restoring a wetland habitat that had been drained for farming.

By the end of 2006 we want all our contracts, where significant environmental aspects are identified, to have completed the first four steps of ISO 14001. These identify environmental impacts and the process enabling management to set targets for improvement. We will then progress to full certification selectively – where clients require it, or where it is desirable because of the scale or nature of the environmental impacts that we are responsible for and can directly control. This cost-effective approach will ensure that we make best use of the standard, as a means of enhancing performance rather than as an end in itself.

Objectives for 2005

Our overall strategic objective is unchanged: we will apply the principles of sustainable development in the way we manage our business. This year we intend to revise our policy standard for sustainable development. We will complete a sustainability review to set objectives and targets, and raise management awareness of what needs to be done. In Australia, water availability is a major national issue. We are making the environment, and specifically water conservation, a strategic theme for our business there and will be developing relevant initiatives across our contracts.

Specific objectives include:

- implement a consistent approach to environmental impact assessment across Serco's businesses
- develop and implement a water strategy across our operations in Australia
- develop ASSURE™ to capture environmental performance data
- raise awareness and understanding on sustainability
- review and re-issue guidance on environmental management.

...in selecting our preferred UK paper supplier we required evidence of effective environmental policy and sustainable production methods

...Every summer since 1999 the UK Atomic Weapons Establishment has held an environmental week to raise staff awareness on environmental issues...

Many thanks to the different 'faces' of Serco and to everyone who has contributed to this report, especially:

Front cover: Elaine Simpson
Managing Director
Serco Education Walsall, UK

Inside front cover: Kevin Jerry
Director Revenue Services
Serco Group Inc., USA

Page 44: Naomi McAuley
Teacher/Tutor, Education
Department HMP & YOI Ashfield, UK

Back cover: Michael Mabey
Revenue Recovery Manager
Serco Metrolink, UK

This report has been printed on paper which is recyclable. A great proportion of the raw material used is the by-product from other production processes, i.e. saw mill waste and waste which results from forest thinning. The mill holds not only ISO 2002 but also the ISO 14001 accreditation for their environmental management systems which includes an active policy on sustainable forestry management.

Artwork and Production:
Serco Media & Design

Design:
theassociationofideas

Print:
CTD Printers Limited



www.sercotransarctic.com...

Give yourself a round of applause Ben – for being an inspiration to us all, your courage, determination and true British grit, makes us proud. Serco – for giving Ben the chance to do this wonderful expedition. CONGRATULATIONS – It's been a great success.

By Elizabeth on Wednesday, 19 May – 08:23 am +0100

Well done and safe returning, Ben This is my first message though been following your journey since day one. It has been a privilege to be allowed into your icy world and I sure will miss logging to the site as a start of the day. Thank you for this diary, thank you Serco for making it possible and choosing to support this fabulous guy and thank you everyone who have posted here.

By Tina on Friday, 14 May – 06:17 am +0100

Hi Ben How you doing we hope the ice hasn't been too hard to cross and try not to fall through it. Our class has been very interested in your adventure that everytime we have computing we always come on this site to catch up with the news and what's happening every day. from Becky, Hayley, Joshua, and Joy and all the pupils of Wishaw Academy Primary School, Wishaw Scotland

By p6 pupils of Wishaw Academy Primary School on Wednesday, 5 May – 10:27 am +0100

Congratulations! Job well done!! I can't thank you enough for taking all of us along for the ride. You have taught me a few lessons about determination, not giving up and keeping a positive attitude while dealing with adversity. Thanks to Serco for helping to make all of this possible.

By Bob on Tuesday, 11 May – 06:12 pm +0100



Bon Voyage This moment evokes both sadness and happiness. Your quest is a testimony, and a resounding accomplishment, both for yourself and the Serco Team. Thank you for touching my life from a top the world! Looking forward to your next dispatch from terra firma. Cheers, Scot San Luis Obispo, Ca.

By Scot Morrison on Friday, 14 May – 07:17 pm +0100

Buenos Noches – and Buenos Dias in a safe place! You have certainly faced the elements, Ben, and now deserve a good warm-up and rest, before your next big adventure in life. We thank you and Team Serco and all those who believed in you and supported you. It is lovely to read of those who have been praying for you, too. Betty Adamson, an American in Costa del Sol, SPAIN

By Betty Adamson on Thursday, 13 May – 11:49 pm +0100

Bravo Zulu Ben! Job well done. Enjoy your down time and have a cold one or two! The adventure was terrific, thanks for letting so many of us join you through this web site. Hopefully your next adventure will include a site such as this. Thanks to Serco again, you guys are the best (aside from Ben that is, haha).

By George Fudge on Saturday, 15 May – 11:26 pm +0100

Good Luck Ben Good Luck on your return journey home Ben. I have really enjoyed visiting this site daily to see what you have been up to. Congratulations on a job very well done...All the best to you and A big Thank You to Serco for making this happen for everyone. Cheers Mate...Dave...

By Dave on Thursday, 13 May – 09:44 pm +0100

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