serco

Corporate Responsibility Report 2012

Our approach

Serco and Corporate Responsibility

Serco's vision is to be the world's greatest service company. To achieve it, we will have to meet our responsibilities to our most important stakeholders: our customers, the public, our employees, partners and suppliers.

This means that corporate responsibility (CR) cannot be separated from our day-to-day business – it is built in to who we are and how we behave.

Our Chief Executive, Chris Hyman, explains more about the importance of CR and how it makes Serco a better business in his message.

Managing corporate responsibility

Our approach to CR has five elements – **our people, health and safety**, the **communities** we serve, the **environment** and our **marketplace**, which covers our relationships with our customers, suppliers and other partners.

Accountability for CR rests at the very top of Serco. Our Group board has ultimate responsibility for our overall business strategy and therefore approves the elements that make up our Group CR strategy. Our Chief Executive is the board sponsor for CR and the board receives progress reports each time it meets.

The Executive Committee, which is made up of our Chief Executive, Finance Director, divisional Chief Executives and leaders of key corporate functions, is responsible for delivering our Group CR objectives.

Achieving the Gold standard

Our commitment to corporate responsibility was recognised once again in 2012 by Business in the Community, which awarded us Gold status in its 2012 Corporate Responsibility Index. This is the seventh year running that Serco has achieved a Gold award. Equally pleasing was the increase in our score, from 90% to 93%.

Corporate responsibility: built in, not bolted on

Chris Hyman, Serco's Chief Executive, explains why corporate responsibility (CR) is built into Serco's business model and how a robust approach to CR will help the Group to meet the emerging challenges of the next few years.

CR is vital to Serco. Our definition encompasses some of the most important aspects of our long-term sustainability: health and safety, the environment, our people and our communities. Being sustainable also requires us to look after the interests of our customers, suppliers and other partners. It is therefore not surprising that some of our most important stakeholders take a keen interest in our CR activities.

Our people push us to behave in a responsible way, our customers differentiate between companies on the basis of their CR performance and shareholders are backing those who are building for a sustainable future. This is a marked change from the past, when the voluntary sector, non-government organisations and governments themselves were the main advocates for CR.

CR must be built in

This intense focus on CR means that companies cannot approach it as something they 'bolt on' to their businesses. It must be built in. We must therefore answer some fundamental questions about CR's role. How do we make our business sustainable? What does CR mean for our business model? How does CR create long-term shareholder value? Serco has a long track record of acting responsibly and this has made CR a fundamental part of how we behave. It is intrinsic to the way we bid for contracts and the way that we run them, every day. And it is reflected in our values, which govern every decision we make and ensure that we act in the right way.

The following are just a handful of the ways that CR informs our day-to-day activities. We know that we cannot always deliver every aspect of a contract ourselves, if we are to achieve the service standards our customers demand. In the UK and Europe, we therefore partner with carefully chosen third-sector organisations to provide parts of our contracts to support unemployed people back into work and to help stop people reoffending after they have left our prisons. This allows customers to benefit from our partners' unique expertise, while our partners gain access to government programmes they could not bid for on their own. In the Americas, our contracts with the US military have given us an intimate understanding of the difficulties faced by military personnel and their families. For several

Chris Hyman, Serco's Chief Executive

years, therefore, we have partnered with the Military Child Education Coalition, which provides vital assistance to the children of military families – a cause that is close to our hearts.

The health, safety and welfare of people in detention, employees, contractors and visitors is of the utmost importance to Serco Immigration Services in Australia. To identify better ways to protect our people a series of reviews were conducted in 2012 to understand the major contributing factors to incidents and injuries in the workplace. The programmes they put in place cut lost time injuries by 30% in 2012, despite staff numbers increasing by more than half.

Serco Global Services is doing its part to reverse the trend of people having to migrate from small towns to cities, in search of a livelihood. By locating our offices in second and third tier towns, we have been able to provide employment to thousands of people and support their local economies. I believe this culture of responsibility is self-reinforcing. The more you behave responsibly, the more you attract people with the same beliefs and values. This is tremendously powerful. At the same time, we must also ensure that our CR approach is rigorous, so we have well-established policies, processes and reporting, which define how we work and enable us to monitor and understand our performance.

CR is central to our vision

Serco's vision is to be the world's greatest service company. To achieve this, our customers will have to see us as a hallmark of quality. We will need to attract the world's best talent and be welcomed as a partner by our communities. And our investors will see Serco as a great share to own.

Our CR model therefore directly influences every aspect of our vision. Whether we are developing our people and keeping them safe from harm, or improving our financial performance through energy efficiency – and reducing our greenhouse gas emissions in the process – it is impossible to separate our CR agenda from our day-to-day business.

We include communities in our CR model and our vision because they are so important to us. Our offices are based in our communities, our people live and work there, we use their resources and infrastructure, and we deliver many of our services directly to local people.

Serco's approach to community engagement therefore goes well beyond making donations to charity. Wherever possible, we look to understand each community's specific issues and help to address them in the way we run our contracts. The case studies in this report give just a few examples of how we do this.

CR helps us to address the challenges of the future

As our business evolves, our approach to CR will stand us in good stead. A key part of our strategy is to enter new geographical markets. In some countries, we will inevitably encounter local standards that fall short of international practices. Our belief is that companies must maintain their standards, no matter where they work. In doing so, we can help our customers to embrace good practices and protect the interests of our people, which helps us to build the engaged and loyal workforce that will make Serco sustainable. We have walked away from opportunities where we could not guarantee our standards, and would do so again.

Attracting the right people will be a significant issue for all companies in the future. Today's young talent is increasingly demanding of potential employers. They see CR as essential in the companies they want to work for, and will take their skills elsewhere if they fail to find it. The companies that succeed will be those that can best demonstrate excellent CR performance.

Continuing to develop our CR approach

Serco already employs many people from different national and cultural backgrounds and our expansion into new markets means that our workforce will become even more diverse. As our international growth continues, we will need to be aware of the changing nature of our workforce and ensure we understand how this influences Serco's culture and our approach to responsible business.
This means that we have to continue to work hard, to refine our CR approach and embed it ever deeper into our business. This is nothing less than an obligation, both to meet the needs of our stakeholders and to ensure Serco's long-term success.

Our Group CR strategy

Each element of our CR approach has its own strategy, which is developed as follows:

People

Our Group Human Resources (HR) Director sponsors our people strategy, which is developed through the HR Directors Forum. The forum is made up of divisional HR Directors and other senior members of our corporate functions, and meets regularly under the Group HR Director's chairmanship.

Health, Safety and Environment (HSE)

Our Group Director of Risk and Acquisitions sponsors our HSE strategy. This strategy is based on the strategies of our four divisions and adds a Group perspective, which takes into account HSE risks that we can see emerging and the Group's evolving HSE risk profile.

We have an HSE Oversight Group, which is made up of senior corporate function members and divisional HSE leads. The Oversight Group agrees our HSE strategy, which is then submitted to the Group Risk Management and Safety Committee (GRMSC).

The GRMSC reviews the HSE strategy and monitors our performance at its quarterly meetings. The GRMSC chair reports to the Executive Committee.

Community

Our Chief Operating Officer is the Executive Committee sponsor for our community strategy. This strategy is developed through a CR Oversight Group, and then reviewed and monitored by the Executive Committee.

Marketplace

Our approach to the marketplace falls within our overall business strategy, for which the Chief of Staff is responsible. The business strategy consolidates the divisions' business strategies into an overall Group strategy.

Our divisional CR strategies

Each of our four divisions has a CR strategy, which describes the core themes of the division's approach and sets appropriate targets. The division's CEO owns the strategy and the divisional board monitors performance against it. Our contracts then develop CR initiatives that fit their divisional strategies, their business and their local communities. The contract director is responsible for delivering these initiatives.

Our CR activities also reflect the passionate involvement of our people in local causes, which often involve them volunteering significant amounts of their own time to raise money or provide direct help to causes that matter to them.

The Serco Foundation

Serco celebrates its 25th anniversary as a listed company in 2013. To mark this occasion, we have set up the Serco Foundation, an independent and not-for-profit charity.

The Foundation will work with charities and non-governmental organisations (NGOs) in the regions where we operate, and capitalise on our people's passion to do good. It aims to make donations that significantly benefit the campaigns of the charities it works with, and to help large foundations and NGOs improve delivery of their desired outcomes.

To ensure the Foundation has a long-term future, we are establishing it with a one-off endowment of £5m. We also plan to make small regular donations of cash and to second people to the Foundation.

Health and Safety

Our aspiration is zero harm. Nothing we do is so urgent or important that we cannot do it safely. A strong health and safety performance protects our staff, helps to distinguish us in the market and enhances our reputation.

This means that whatever their role, our people have to comply with stringent health and safety procedures, which reflect the minimum standards that apply. To maintain our standards, we have embedded these procedures in the Serco Management System and audit ourselves against them, looking for best practices we can apply more widely. We address any inadequate performance and put in place new, better practices.

In 2012, we were particularly saddened by the deaths of four colleagues. A colleague at our environmental services contract in the London Borough of Hammersmith and Fulham was fatally injured when he tried to prevent a burglary. In Pondicherry, India, two colleagues were fatally injured in a road traffic accident when travelling home at the end of their shift. In Australia, a colleague also died in a car accident when returning from a regional meeting.

Although Serco could not have prevented these incidents, we have taken action to try to avoid a recurrence. This includes conflict resolution training, the recognition of risk in induction training and special guidance on driving and fatigue.

Operating in safety-critical areas

We operate in a number of heavily regulated and safety-critical areas, which place stringent requirements upon us. Our regulatory approvals and licences demonstrate that we have the right systems to deliver these requirements. Combined with our regulators' oversight, this gives us a strong controls framework for managing our health, safety and environmental (HSE) responsibilities.

Developing our health and safety approach

A key development during 2012 was the creation of the new UK & Europe division. This required us to review the way we manage HSE in the region.

As a result, we created a Safety, Risk and Compliance (SRC) department for the UK & Europe, under the control of a Director of SRC. This new department has a regional service model, with three teams of SRC professionals supported by experts covering our main safety-critical areas.

This follows a proven model deployed by one of our former UK divisions and aligns with the UK Health and Safety Executive's new model. It will also help to ensure we apply best practices consistently across the UK & Europe.

In addition to the reorganisation, work went on across the Group to better manage our HSE risks. Among the many examples were:

- Detailed audits of businesses and contracts around the world
- Working with regulators in the UK, the United States, the Middle East and Australia to develop deeper relationships
- IOSH training programmes for managers in the Middle East
- Improvements to incident reporting, injury management and return-to-work processes in Australia, and
- Safety meetings, training and an update to the Engineering Business Unit safety management system in the Americas.

Health and Safety 2012 Objectives and commentary

2012 Objective	Result	Comment
To achieve a lost time incident rate (LTIR) of 796 per 100,000 employees, a 50% reduction against the 2008 baseline	Achieved	The LTIR continued to improve in 2012, to 603. This was a reduction of 33% compared with 2011 and 24% ahead of our target. This performance was helped by the growth in Serco Global Services, which operates in a low risk environment. Our performance also reflects our focus on continuous improvement and the maturity of our health and safety systems, particularly in our higher risk custodial, immigration and transportation business. This is reflected in our LTIR excluding Global Services, which improved by 11% in 2012.
To achieve a 40% reduction in the staff reportable incident rate (RIR) per 100,000 employees against the 2008 baseline.	Achieved	The RIR was 398, a reduction of 22% compared with 2011 and a 60% reduction compared with our target of 40%. As with the LTIR, this benefited from the performance of Serco Global Services. Excluding Global Services, the RIR was flat year on year. We have a number of ongoing initiatives aimed at improving performance.
To establish a baseline of near-miss events against which performance can be tracked.	Ongoing	Given the scale and diversity of our business capturing near miss events is challenging. All divisions have continued to try to establish consistent reporting through ASSURE, our system for capturing and analysing HSE performance data.

Environment

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

Although we typically manage our businesses at a local level, we are united in our strategy of measuring our impact and reducing our environmental footprint. This supports many initiatives in our operations around the world.

We also have contracts that help our customers to improve their environmental performance. For example, Serco provides environmental services to UK local authorities, which help our customers to reduce the volumes of waste sent to landfill sites.

Developing our environmental approach

As with our health and safety efforts, our businesses around the world undertook a wide range of initiatives to improve their environmental performance. The following are just some of the examples:

- Reducing electricity use in our UK prisons by installing LED lighting in cells
- Cutting water use in our UK leisure contracts, for example by using swimming pool backwashes to irrigate golf courses
- Developing a formal environmental training package and improved environmental data capture in Australia
- Assisting Americas contracts with a range of projects including fuel storage, Spill Prevention Control and Countermeasure (SPCC) regulations, hazardous materials/waste handling, disposal advisory development and air quality regulation compliance

Recognition for our environmental efforts

Our environmental efforts are reflected in the recognition we receive. In the UK, we were ranked fifth in the Carbon Disclosure Project's FTSE 350 report, with a score of 92%, placing us in the Carbon Disclosure Leadership Index. We also achieved a rating of B in the Carbon Performance Leadership Index. These indices highlight good practices in reporting, governance, risk management, verification and emissions reduction activities that drive climate change adaptation and mitigation.

Environment 2012 Objectives and commentary

2012 Objective	Result	Comment
To achieve an 18% reduction in our UK business's CO2 tonnes/£m revenue against the 2008 benchmark	Revised	Historically we have normalised our environmental data by revenue for comparative purposes. We do not believe that this continues to be meaningful, given the changing risk profile of the business and growth in employee numbers, particularly within our BPO business. We have therefore revised this KPI and extended it to cover our global footprint so that we normalise on a per head basis.Based on this we have shown a 42% improvement in Carbon Emissions Headcount Intensity rate (tCO2e per 1,000 employees) since 2008 (2008 = 3489, 2012 = 2028).
To retain the Carbon Trust Standard	Achieved	We have retained our Carbon Trust Standard

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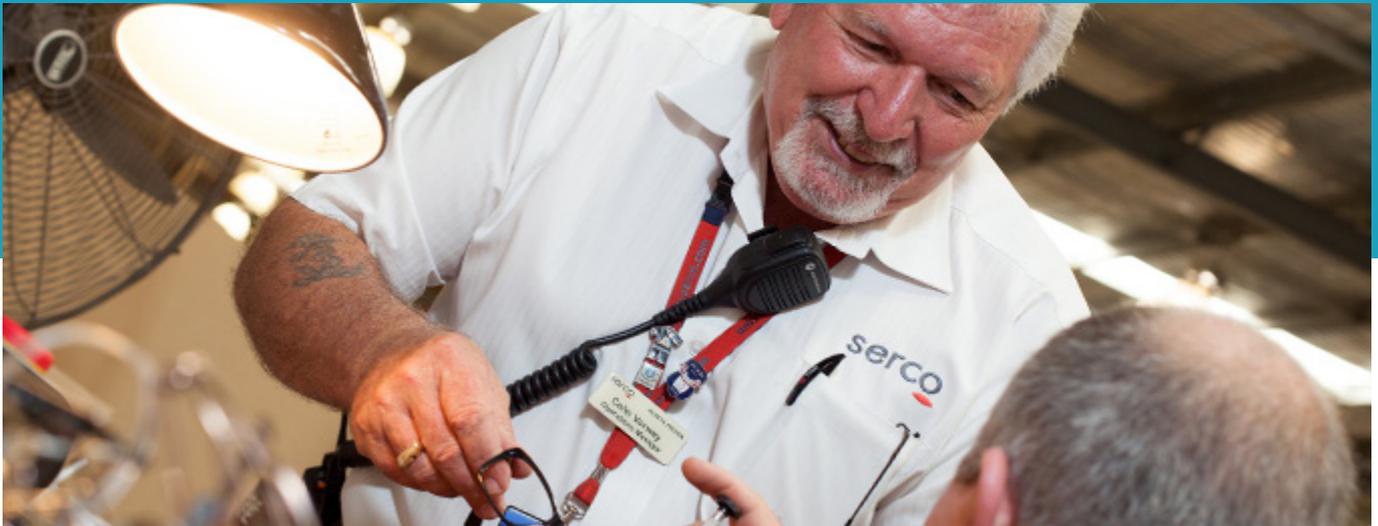
Our communities are primarily the people who live and work around our contracts but our definition extends to include the third-sector organisations we partner with, to deliver a number of our contracts.

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

Our commitment is reflected in our target to reinvest 1% of our pre-tax profits into society. Last year, we invested £2,560,084 through donations of money, assets and time to community projects and charities, representing 1% of our pre-tax profit.

Making a positive and lasting impact

At the same time, we aim to have a positive and lasting impact on our communities, and to be welcomed by them as a partner who can help to solve their problems. Serco's devolved structure helps us to achieve this. Across the Group, our people get involved in activities they are passionate about, ranging from local community projects to raising money to help international disaster relief.

Examples include the AMEAA division's Walkabout Week. The event, which was held across the Asia Pacific region, raised money for Red Dust Role Models, a charity that supports healthy living in remote, Indigenous communities. Staff raised AUS$47,830 and Serco donated an additional AUS$40,000. The total amount raised exceeded the target by AUS$17,830.

Serco Americas supported the American Diabetes Association Tour de Cure bike ride, with 38 riders raising over $20,000, making them the second highest grossing corporate team. Among the many activities undertaken by Serco Global Services' employees were partnering with Swiss Emmaus Leprosy Relief Work (India) to create awareness and raise funds for people affected by leprosy, and visiting orphanages in Mumbai to donate food, clothes and toys.

We also support organisations whose work touches our own, such as the Military Child Education Coalition (MCEC) in the US, which helps children affected by their parents' relocation and deployment. As well as making donations, we have seconded a senior employee from our Americas division, who provides invaluable support to MCEC.

Helping to improve employability

Employability has been an important theme in our community work. We were proud to second a senior member of our Group HR team to work for the UK Government as the CEO and founding partner of plotr, a new, industry-led not-for-profit venture, aimed at inspiring young people about their future career and preparing them to be more competitive in the labour market. More information about plotr can be found at www.plotr.co.uk.

A Serco team also helped the UK Government to advance its National Citizenship Service programme, by developing a well-received online tool to engage with 16 year olds and encourage them to improve their skills by taking part in local community projects.

Partnering with the third sector

Working with third-sector partners is an important part of our approach in some markets, including the Work Programme in the UK and in our prison contracts. This allows our customers to benefit from the expertise of these organisations, while enabling them to take part in government programmes they lack the scale to compete for on their own. Our approach includes a payment mechanism which smoothes our third sector partners' cash flows and helps to keep them on a stable footing.

Recognising the importance of the third sector, we are represented in the working group for a UK government review into leadership and skills in the sector, led by Dame Mary Marsh. The review will consider how businesses and professionals can share their expertise with charities and social enterprises, and recommend ways in which the sector can upgrade its skills to meet the challenges of the future.

Boosting payroll giving

One of our objectives for 2012 was to promote payroll giving. In the UK, the number of people donating through their pay increased by 3.5 times. Between them, they gave nearly £40,000 to charity. In the US, our people donated US$60,000 through payroll giving during the year.

Community 2012 Objectives and commentary

2012 Objective	Result	Comment
To continue to invest 1% of pre-tax profits back into wider society	Achieved	We invested £2,560,084 into society, through donations of money, assets and time. This represented 1 % of our pre-tax profits. In addition we contributed £5m to the Serco Foundation.
To continue to promote the theme of employability	Ongoing	Employability has been a key theme for Serco for the past ten years. We focus on our own employees, long-term unemployed people and youth employment.In the UK, we are committed to making available 1,000 work placements and to working closely with the Prince's Trust to help young unemployed people gain work experience. We recently reached a milestone at Norfolk & Norwich University Hospital, where the 100th young person from the Prince's Trust programmes gained work experience through Serco.In the US, the Serco Scholars programme has continued to help families of employees. In 2012, ten scholarships of $5,000 were awarded. In the Middle East, our technical apprenticeship programme on the Dubai Metro is designed to address skill shortages within railway engineering in the region and to attract apprentices who are interested in railway engineering as a long term career.
To continue to develop our relationships with third sector partners	Ongoing	We continue to commission work from a range of third sector providers, including the national charities Catch22 and Turning Point in our prison contracts. Third sector organisations also deliver 35% of Serco's Work Programme contracts and 43% of our Job Deal contracts. In addition, the Serco-led NCS Network consortium has successfully bid to deliver the National Citizen Service programme in 2013.We are also represented in the working group for a UK government review into leadership and skills in the third sector.
To promote employee volunteering	Ongoing	We encourage volunteering within local communities and organisations. In Australia, we have implemented an employee volunteering policy, giving permanent employees up to two days a year paid time to volunteer.
To promote payroll giving	Ongoing	Employee giving continues to be a high priority for our businesses across the globe.

Our People

Every year we win many new contracts, with the people who provide those services often transferring from our customers to us. Acquiring businesses can also bring large numbers of people into the Group. We therefore need a clear framework for managing and developing our people.

Our people strategy

Our people strategy has three components. We want to:

- Develop leaders who are fit for the future and who will thrive as Serco grows
- Employ people who bring service to life, who are fully integrated and engaged with Serco and who we can develop to achieve their full potential, and
- Make it easier to manage our people by continually enhancing our systems and processes.

Developing leaders who are fit for the future

Serco needs leaders who can grow with us. They manage our operations, secure our growth and create the environment in which our people can best serve our customers.

Evaluating our leaders

During the year, we evaluated in detail the leaders who joined us when we bought Intelenet, an international BPO operator based in India. This used our leadership evaluation tool, which considers the size and complexity of a leader's role. The exercise allowed us to position people appropriately in our leadership structure and means the composition of our top 500 leaders now properly reflects our international business.

Our leadership evaluation tool is also important as we enter new geographical markets. It gives us a tried and tested method for analysing leadership roles in each market and creating reward packages that will attract and retain the right people.

Developing our leaders

Serco's leadership model is called **H³ – Heart, Head and Hands**. These components describe how great Serco leaders behave, with an emphasis on our Governing Principles and our customers:

- Develop leaders who are fit for the future and who will thrive as Serco grows
- Employ people who bring service to life, who are fully integrated and engaged with Serco and who we can develop to achieve their full potential, and
- Make it easier to manage our people by continually enhancing our systems and processes.

Developing leaders who are fit for the future

Serco needs leaders who can grow with us. They manage our operations, secure our growth and create the environment in which our people can best serve our customers.

Evaluating our leaders

During the year, we evaluated in detail the leaders who joined us when we bought Intelenet, an international BPO operator based in India. This used our leadership evaluation tool, which considers the size and complexity of a leader's role. The exercise allowed us to position people appropriately in our leadership structure and means the composition of our top 500 leaders now properly reflects our international business.

Our leadership evaluation tool is also important as we enter new geographical markets. It gives us a tried and tested method for analysing leadership roles in each market and creating reward packages that will attract and retain the right people.

Developing our leaders

Serco's leadership model is called H³ – Heart, Head and Hands. These components describe how great Serco leaders behave, with an emphasis on our Governing Principles and our customers:

- Heart covers our leaders' motives and demonstration of our Governing Principles
- Head relates to intellectual and personal capacity
- Hands covers skills, knowledge and experience

We have assessment tools based on H3 and use them to create development plans for hundreds of our leaders. In 2012, we also used those tools, along with our leadership evaluation tool, to ensure we had the right leaders in place as we reorganised our UK and European businesses from three divisions into one.

Supporting our leaders

Transferring knowledge from one market to another is a key part of our business model. We therefore need to effectively support our leaders as they move around the world.

During 2012, we employed Ernst & Young to help us improve our global mobility processes, so we can offer first-class support to our people when they relocate.

Employing people who bring service to life

Serco depends on skilled and enthusiastic people. By delivering great service to our customers, they contribute to our reputation and ability to grow.

Engaging our people

Employee engagement was a major focus in 2012. Engagement is fundamental to employee wellbeing, the quality of our services and our ability to deliver organic growth.

We worked with Aon Hewitt to better understand the link between customer advocacy and employee engagement. This showed a strong correlation, with more engaged employees leading directly to higher customer satisfaction, which in turn helps us to retain contracts and grow organically. We are now using case studies setting out key lessons from contracts with the highest levels of engagement, helping us spread best practices around the business.

We also undertook Viewpoint, our annual global employee survey. This gives us important insights into improving the working experience at Serco. The survey results show trends and areas on which to focus, and an online tool enables managers to prepare action plans and cascade materials to their team.

Supporting the UK government's engagement taskforce

Serco continued to support the UK government's Engage for Success taskforce. This is an independent and voluntary group of leaders, managers, trade unionists, engagement practitioners and experts, who all want to highlight the importance of employee engagement.

In November 2012, the taskforce launched evidence that showed the UK was missing out on £26bn of GDP because workers were not actively engaged. The group also launched a website (www.engageforsuccess.org) containing case studies, tools and techniques for engaging employees.

Recognising our people's achievement

Our global Pulse Awards celebrate the very best achievements of our people, customers and partners. The awards are closely linked to our Governing Principles. They recognise people who excel at innovation, inspire through their leadership, demonstrate outstanding commitment and make an exceptional impact on communities, the environment or in areas such as safety and ethics.

Making it easier to manage our people

Our aim is to have easy-to-use tools, processes and systems that make it easier to manage our growing workforce and deliver even higher levels of productivity and service.

We have therefore developed a target operating model for HR, which gives us common HR processes around the world. It allows us to centralise important aspects of our HR support, while decentralising the tools that our managers need to effectively run their teams.

As part of this, we have created a shared service centre in Birmingham, UK. This includes a centralised recruitment and redevelopment service, which is already delivering savings. One particular achievement has been our use of LinkedIn to identify candidates. By building Serco's presence on the site, we now have access to around 1m people.

We have also created a transaction management centre in Delhi, India. Our team there ensures that our HR transactions are processed smoothly, for example by ensuring that new joiners have access to our systems, the right computers or other equipment, and an identity card. The Delhi centre consistently achieves high accuracy rates, making an important contribution to our HR efficiency.

During 2012, we also completed Serco's first ever global software implementation. MyHR is now live across the business and provides a range of self-service tools for both managers and employees. MyHR gives managers better visibility and control of their team information, the ability to carry out people management activities online, and access to reports to support planning and decision making.

The system also makes HR processes easier for employees, for example by allowing them to maintain their personal information or book annual leave online.

Over the next few years, we will build on this work to further enhance our HR tools. This could include adding learning management systems and performance management, as well as allowing employees to monitor their compensation and how it has changed over time.

Our People 2012 Objectives and commentary

2012 Objective	Result	Comment
To make it easier to manage people by implementing a single HR programme and common core processes.	Achieved	We successfully introduced our target operating model and completed the first phase of implementing MyHR.
To develop leaders who are fit for the future by embedding the talent review and succession planning process across a wider proportion of our management population.	Achieved	We incorporated the leaders who joined us as a result of the acquisition of Intelenet.
In early 2012, we undertook a thorough review of our leadership talent, which included applying rigorous leadership selection processes. As a result, we are prioritising the strengthening of our pipeline of leadership talent through the promotion, mobility and acquisition of individuals with skills and experiences required to deliver our goals.	Ongoing	Employability has been a key theme for Serco for the past ten years. We focus on our own employees, long-term unemployed people and youth employment. In the UK, we are committed to making available 1,000 work placements and to working closely with the Prince's Trust to help young unemployed people gain work experience. We recently reached a milestone at Norfolk & Norwich University Hospital, where the 100th young person from the Prince's Trust programmes gained work experience through Serco. In the US, the Serco Scholars programme has continued to help families of employees. In 2012, ten scholarships of $5,000 were awarded. In the Middle East, our technical apprenticeship programme on the Dubai Metro is designed to address skill shortages within railway engineering in the region and to attract apprentices who are interested in railway engineering as a long term career.
To motivate and engage employees to bring service to life by linking engagement to performance	Ongoing	We have begun to analyse the link between employee engagement and customer advocacy and to communicate the best practices identified to further drive engagement.
To promote employee volunteering	Ongoing	We encourage volunteering within local communities and organisations. In Australia, we have implemented an employee volunteering policy, giving permanent employees up to two days a year paid time to volunteer.
To promote payroll giving	Ongoing	Employee giving continues to be a high priority for our businesses across the globe.

Marketplace

The marketplace element of CR encompasses our approach to managing our relationships with our customers, suppliers and other partners. All play a vital part in our business.

Building long-term customer relationships

Developing long-term relationships with our customers is central to our business. Day-to-day responsibility for meeting our customers' needs lies with our contract directors. Our approach to working with our customers is set out in our Governing Principles, which empower our contract directors and ensure that we deliver high-quality services.

We maintain customer relationships at all levels, so they know how we can help them and we can anticipate their changing needs and identify opportunities early. These relationships lie with our divisional and Group leaders.

The importance of our reputation

Our reputation with our existing customers is vital in winning new work. Many factors influence our reputation, including:

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

We believe that our high rebid and new bid win rates demonstrate the strength of our reputation with new and existing customers.

Managing our suppliers

Buying effectively helps us to achieve our vision and deliver high-quality service to customers. We aim to be professional in all our dealings with suppliers and to establish mutually beneficial relationships.

Our Procurement and Supply Chain function puts this approach into practice. During 2012, we realigned the procurement team to reflect Serco's new structure. Each division now has its own dedicated procurement business partner embedded within the divisional management team.

Our businesses have many common purchasing needs, which we strive to fulfil through preferred suppliers, so we can get better terms and conditions and make the most of our scale. We have also bolstered our category teams and refocused on specific areas where we can deliver significant benefit to our service delivery.

Serco works with thousands of small- and medium-sized (SME) suppliers and we continue to improve our interaction with them. Our Small Business Advisory Body in the UK is made up of representatives of SMEs from across the business. It guides us on our communications with and support to SMEs. In the US, we have a supplier mentor programme which provides guidance to small businesses on important subjects, such as growing their businesses and creating budgets.

We further enhanced our systems in 2012, to upgrade the procurement functionality of SAP. This makes the process more efficient for us and our suppliers. In particular, it enables suppliers to upload electronic catalogues, which our people can then access through a single portal. These upgraded systems allow us to streamline our processes, improve compliance and enable our suppliers work with us in a simple and consistent way.

In the UK, we also signed up to the Prompt Payment Code. Code signatories undertake to pay suppliers on time, to give them clear guidance (for example on payment procedures and how to make complaints) and to promote good practice by requesting leading suppliers to encourage adoption in their own supply chains.

Working with our joint venture partners

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

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

Delivering services with our strategic partners
We often deliver services as part of a consortium, either as prime contractor or as a subcontractor. This allows us to bring together partners with the skills to meet the precise requirements of a bid.

Our values and the open and honest way in which we work also make us an attractive partner for voluntary sector organisations, who often lack the scale and experience to access major government programmes.

Responsibility for our strategic partner relationships lies with the relevant contract and divisional management.

Performance

2012 Performance and objectives for 2013

This section includes:

- The 2012 corporate responsibility objectives and how we performed against them
- A summary of key performance statistics including Health and Safety data, Environmental data, Community Investment data, Ethics and People data
- Our corporate responsibility objectives for 2013
- A summary of the Business in the Communities (BITC) CR Index scores
- A list of all the awards that Serco were presented with during 2012.

Performance 2012 Objectives and commentary

Performance: Health and safety		
2012 Objective	Result	Comment
To achieve a lost time incident rate (LTIR) of 796 per 100,000 employees, a 50% reduction against the 2008 baseline	Achieved	The LTIR continued to improve in 2012, to 603. This was a reduction of 33% compared with 2011 and 24% ahead of our target. This performance was helped by the growth in Serco Global Services, which operates in a low risk environment. Our performance also reflects our focus on continuous improvement and the maturity of our health and safety systems, particularly in our higher risk custodial, immigration and transportation business. This is reflected in our LTIR excluding Global Services, which improved by 11% in 2012.
To achieve a 40% reduction in the staff reportable incident rate (RIR) per 100,000 employees against the 2008 baseline.	Achieved	The RIR was 398, a reduction of 22% compared with 2011 and a 60% reduction compared with our target of 40%. As with the LTIR, this benefited from the performance of Serco Global Services. Excluding Global Services, the RIR was flat year on year. We have a number of ongoing initiatives aimed at improving performance.
To establish a baseline of near-miss events against which performance can be tracked.	Ongoing	Given the scale and diversity of our business capturing near miss events is challenging. All divisions have continued to try to establish consistent reporting through ASSURE, our system for capturing and analysing HSE performance data.

Performance: Environment

2012 Objective	Result	Comment
To achieve an 18% reduction in our UK business's CO_2 tonnes/£m revenue against the 2008 benchmark	Revised	Historically we have normalised our environmental data by revenue for comparative purposes. We do not believe that this continues to be meaningful, given the changing risk profile of the business and growth in employee numbers, particularly within our BPO business. We have therefore revised this KPI and extended it to cover our global footprint so that we normalise on a per head basis. Based on this we have shown a 42% improvement in Carbon Emissions Headcount Intensity rate (tCO_2e per 1,000 employees) since 2008 (2008 = 3489, 2012 = 2028).
To retain the Carbon Trust Standard	Achieved	We have retained our Carbon Trust Standard

Performance: Community

2012 Objective	Result	Comment
To continue to invest 1% of pre-tax profits back into wider society	Achieved	We invested £2,560,084 into society, through donations of money, assets and time. This represented 1 % of our pre-tax profits. In addition we contributed £5m to the Serco Foundation.
To continue to promote the theme of employability	Ongoing	Employability has been a key theme for Serco for the past ten years. We focus on our own employees, long-term unemployed people and youth employment.
To continue to develop our relationships with third sector partners	Ongoing	We continue to commission work from a range of third sector providers, including the national charities Catch22 and Turning Point in our prison contracts. Third sector organisations also deliver 35% of Serco's Work Programme contracts and 43% of our Job Deal contracts. In addition, the Serco-led NCS Network consortium has successfully bid to deliver the National Citizen Service programme in 2013.We are also represented in the working group for a UK government review into leadership and skills in the third sector.
To promote employee volunteering	Ongoing	We encourage volunteering within local communities and organisations. In Australia, we have implemented an employee volunteering policy, giving permanent employees up to two days a year paid time to volunteer.
To promote payroll giving	Ongoing	Employee giving continues to be a high priority for our businesses across the globe.

![serco]

Performance: Our people		
2012 Objective	**Result**	**Comment**
To make it easier to manage people by implementing a single HR programme and common core processes.	Achieved	We successfully introduced our target operating model and completed the first phase of implementing MyHR.
To develop leaders who are fit for the future by embedding the talent review and succession planning process across a wider proportion of our management population.	Achieved	We incorporated the leaders who joined us as a result of the acquisition of Intelenet.
To motivate and engage employees to bring service to life by linking engagement to performance	Ongoing	We have begun to analyse the link between employee engagement and customer advocacy and to communicate the best practices identified to further drive engagement.

Summary of Key Performance Indicators

Each year Serco produce a summary of key performance indicators (KPIs). The following figures are based on information held on 4th February 2013. Additional data may arise after this date. Where this occurs, numbers will be corrected in the following year's table.

.

2013 objectives

Health and Safety

Our previous HSE strategy established our objectives for the period 2008 to 2012. We have therefore set a new HSE strategy and objectives through to 2016. As part of this, we will publish annual targets. Our objectives for 2013 are as follows:

- A Lost Time Incident Rate of 573 per 100,000 employees, representing a 5% reduction against 2012 baseline
- A Major Reportable Incident Rate per 100,000 employees of 57, representing a 15% reduction against 2012 baseline
- A Physical Assault Rate of 528 per 100,000 employees, representing a 15% reduction against 2012 baseline

Environment

As part of our updated HSE strategy, we have set the following environmental objectives for 2013:

- Carbon Emissions Headcount Intensity rate of 1,967 tCO2e per 1,000 employees
- Zero environmental prosecutions, fines and enforcement notices from our activities

Community

- To continue to invest 1% of pre-tax profits into wider society
- To promote and support the Serco Foundation
- To use the Serco25 campaign to encourage our people to raise money for charities

People

- To continue to implement MyHR – the single HR programme and common core processes – throughout the business
- To continue to develop leaders who are fit for the future by embedding the talent review and success planning process across a wider proportion of our management population
- To improve our overall engagement levels by focusing on the top four engagement drivers for each division or function

BITC Index 2012 v 2011

Our commitment to our communities and corporate responsibility was recognised once again by Business in the Community, which awarded us Gold status in its 2012 Corporate Responsibility Index. This is the seventh year running that Serco has achieved a Gold award. Equally pleasing was the increase in our score, from 90% to 93%.

Sector Awards

Awards Serco was presented with during 2012.

The Australian Business Awards
The Royal Society for the Prevention of Accidents (RoSPA) Award, UK
British Safety Council International Safety Award
Business In the Community
Eco Active Business (level 3 award)
Auto Trader Best Customer Service Award
South West Contact Centre 2012
Groundwork Environmental Award
National Government Opportunities (GO) Best Service Winner
Eat Safe Award
Hospital Caterers Association Awards
UKBA Recognition Awards - Outstanding Services Contributions Awards.
National Transport Awards 2012
Light Rail Awards 2012
Asia's Best Employer Brand Award 2012
Institute of Physics Best Practice in Professional Development Award 2012
Global Facilities Management Platinum Award
Excellence Award for Hong Kong's EcoPark
PFM (Premises and Facilities Management)
Best Macro Employer in the South West
National recycling Stars
Railway Industry Innovation Award (RIIA) 2012
The Association of Community Rail Partnerships (ACoRP) - Community Rail Awards 2012
Civil Service Diversity and Equality Awards 2012
Security Excellence Awards 2012
Rail Staff Awards 2012