

Gender Pay Gap Report 2017



Serco - a place people are proud to work

Our ambition to be a superb provider of public services by being the best managed business in our sector is underpinned by our four strategic priorities; one of which is to create a place that people are proud to work. Creating an inclusive workplace in which everyone can thrive plays a key part in delivering on this priority.

We are committed to ensuring that all our employees are treated fairly, with dignity and respect, and with an equality of opportunity throughout their careers with Serco. Measuring, understanding and reporting our Gender Pay Gap is a welcome and important step in this journey. We have undertaken extensive analysis of what is behind our current median gender pay gap of 12.9% so that we can identify real opportunities to reduce this. The UK's median gender pay gap for 2016 reported by the Office for National Statistics was 18.1%.

It is important to note that there is a fundamental difference between Gender Pay and Equal Pay:

Gender pay is the difference between gross hourly earnings for all men and gross hourly earnings for all women regardless of role.

Equal pay is about men and women being paid the same wage for work of equal value.

Serco has historically had an imbalance in its workforce employing more men than women, particularly in our business units and operational and technical roles along with lower representation of women in our senior management teams. However, over recent years we have made good progress in redressing this imbalance. I am proud to see more women in supervisory, junior, middle and senior management roles than ever before. Within Serco we will continue to provide visible and engaged leadership, driving appropriate programmes, policies and practices in this area.

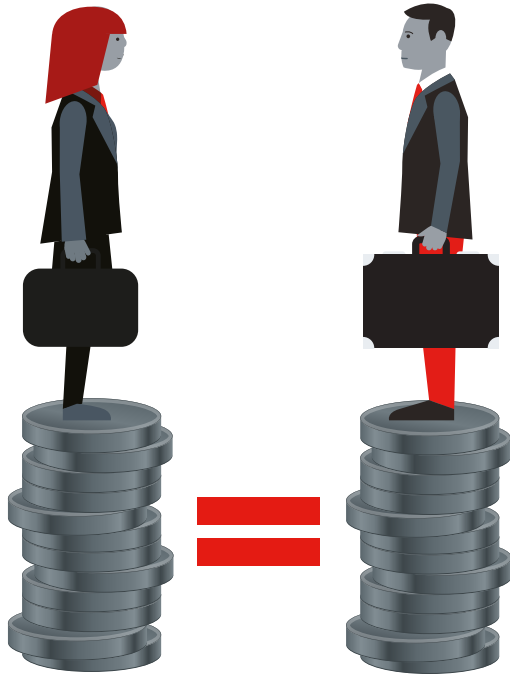
"We take pride in our efforts to be an inclusive and diverse workplace. We care deeply about our customers, service users, those in our care and all our 50,000 plus colleagues in more than 20 countries. We innovate through not only our expertise but by sharing our varied range of skills and knowledge and collaborating with each other. Change is part of what we do in bringing people together who are motivated to make a positive difference.

We have changed and improved our gender balance and we will continue to ensure that everyone, male or female, have the equality of opportunities to build long and rewarding careers with us. Inclusivity and diversification will play an important part in our future success so it is vital that all employees are valued and given opportunities to thrive."



Anthony Kirby
Group HR Director
Serco Group plc

Equal pay and the gender pay gap



Equal Pay...

Is men and women being paid the same for the same work.

The Gender Pay Gap...

Is the difference between the gross hourly earnings for all men and the gross hourly earnings for all women regardless of role.



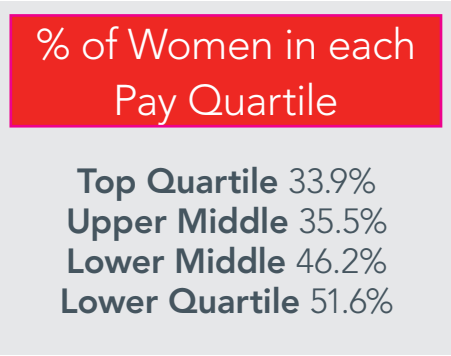
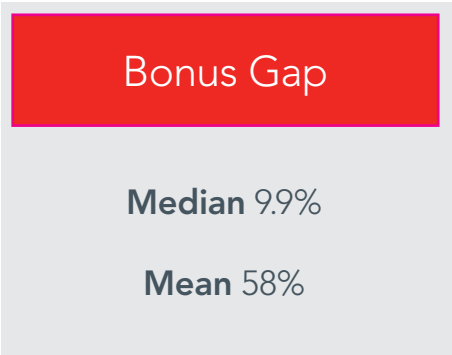
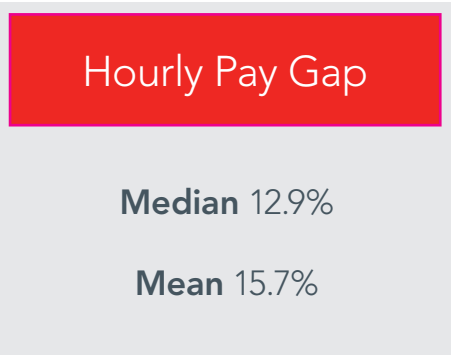
Serco's Overall Gender Pay Gap in the UK

The primary cause of the gender pay gap within Serco is the demographics of our UK employee population, in which we currently have an imbalance in the number of men and women at the various levels within the organisational structure.

We have fewer women than men in our more senior positions and typically people in more senior positions receive the highest pay. This impacts the hourly pay and the bonus pay figures, because bonuses tend to be paid to those in the most senior positions to keep pace with market practices and to ensure we can attract and retain the best talent.

There are twice as many men as women in the top quartile. This top quartile encompasses employees within the top 6 levels (out of 9) within the Company. The remaining 75% of employees fall within the lower job levels and are included within the next three quartiles, in which most of our employees earn within a relatively narrow hourly pay range. Additionally, 58% of employees within the top quartile receive a bonus payment, compared to 2% and 1% respectively in the lowest two quartiles. This skew in the proportion of males compared with females in the top quartile therefore has a significant impact on our hourly pay gap.

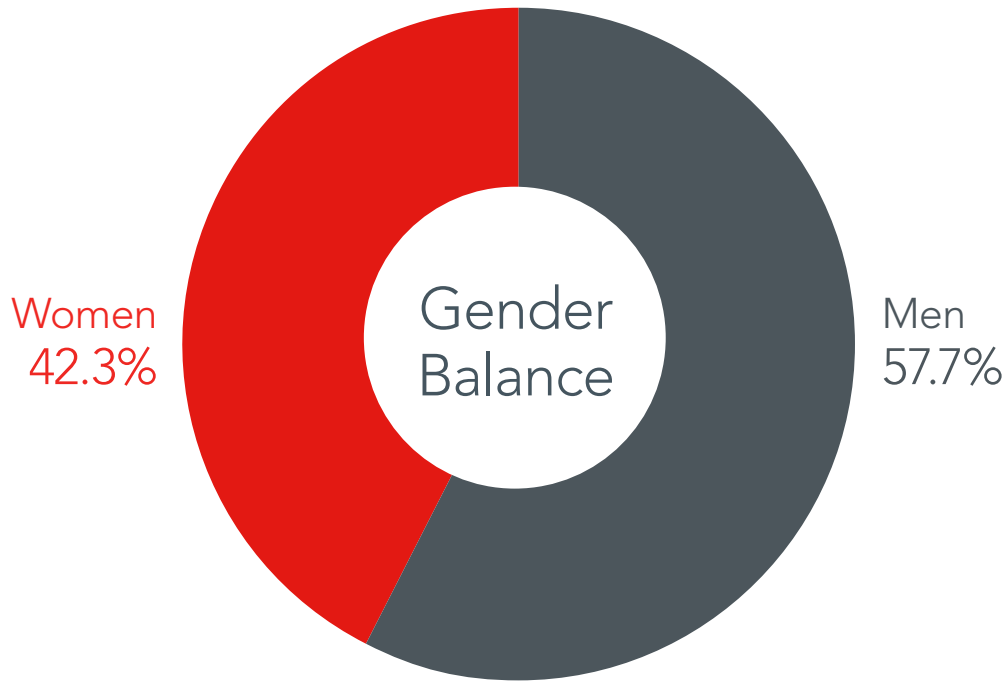
At our frontline role levels, which includes almost 40% of our UK colleagues, our hourly pay gap is significantly reduced at 3.9%.



These boxes show the combined gender pay gap figures at April 2017 on a consolidated basis for the three legal entities where Serco employs more than 250 people in the UK as well as employees within Serco entities below the 250 threshold. Detail for the individual legal entities for whom we are required to report are to be found on page 10.

The regulations require the reporting of both mean and median pay gap outcomes.

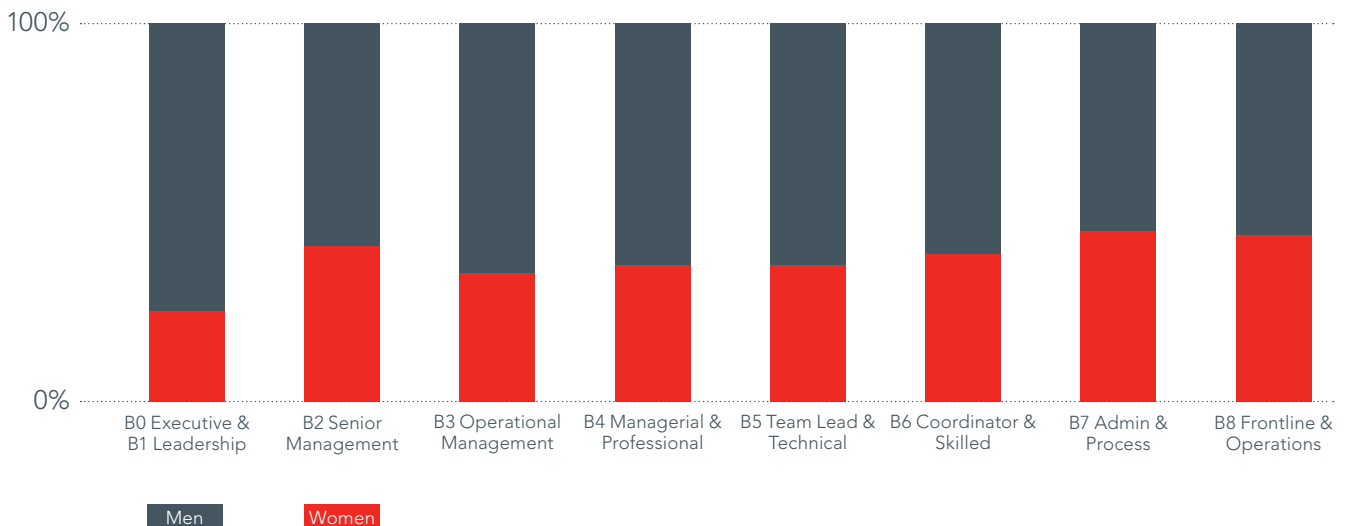
Whilst both measures are complementary and collectively important in describing an organisations gender profile, the median is the more appropriate metric to headline the gender pay gap as it represents the middle point of a number set, in which half the numbers are above and half are below. This is different to the mean, which is the sum of all the numbers divided by the amount of numbers in the set. The median is less affected by any skew in pay or gender distribution and therefore provides the better indication of typical differences than the mean.



Our gender balance at Serco

The analysis of our gender pay data highlights the imbalance in the number of men and women at certain key levels across the Company. Whilst most evident at our two most senior levels (Executive and Leadership), this imbalance is also found at certain strategic and technical entry levels. There is a more even balance at the Senior Management level just below our Executive and Leadership levels.

Gender Balance and Pay Gap by Job Band: Serco (Consolidated)



Serco's commitment to addressing gender balance

Serco's commitment to gender balance was re-focused in 2015 with the formation of the Serco Inspiring Women Network, which aims to support Serco's female talent in progressing their careers within the company. At the same time we wanted to use the combined energy of the group to make a tangible difference to how gender equality is viewed in the workplace and how this can drive change in our industry.

Within the UK 23.2% of Leadership roles were held by women in April 2017; this represents good progress towards our initial target of 25% by 2020. We aim to improve on this over the near term through a combination of initiatives that underpin our broader talent strategy and drive gender balance in our leadership teams across the world. By 2025 we want to have at least 35% of our leadership positions filled by women globally. We do have actions in place that give us confidence this target can be achieved.

Our Board composition is now 33% female and we are proud to be one of the leaders in this space as a FTSE constituent.

The average for female representation on FTSE 250 boards in 2016 was 20.4%¹. Our functional leadership teams are more appropriately balanced than they have historically been, but we do have more work to do in the leadership positions of our business units.

So what are we doing to address the gender balance in Serco?

1. Understand what drives the imbalance

There are many reasons why gender imbalances occur in organisations. Within Serco, we have undertaken some work to recognise what action we can take to understand those causes, take positive action to address them and strive for better, more focused outcomes to address historical imbalances.

2. Drive actions that make it better

The first and most critical thing we are doing is to nurture and empower everyone with the personal drive and ambition to accelerate their careers. This means focusing on positive action and eliminating real or perceived barriers to progression. We are proud to share some examples of our work in this area that we believe will help us get there.

Addressing our gender pay gap

As part of our diversity and inclusion plan we aim to:

- Attract more females into traditionally male dominated roles and support their development;
- Provide more opportunities for women to progress into senior positions and improve the gender balance of our leadership team; and
- Enhance the support we provide to working parents.

¹Source: Cranfield Management Report 2016

More female Prison Custody Officers

Serco Group employs just under 2000 Prison Custody Officers (PCOs) in the UK and 35% of them are female. We want to attract more women into PCO roles with us and support their development. Prison Custody Officer's contribution counts, helping to give prisoners structure within their lives and being a role model to encourage positive choices.

There is a clear salary structure in place for this role and wider benefits. Within our custodial establishments we can offer good career progression with scope to move into management roles such as becoming a Custodial Operations Manager and then Assistant Director and Deputy Director.

Experience in custodial establishments also opens up other career paths such as; psychology, industries, education and security.



Women in leadership

Our **Serco Inspiring Women (SIW) Network**, is jointly chaired by the Group HR Director (Anthony Kirby) and the Managing Director of our UK Justice & Immigration business (Julia Rogers). The SIW aims to support Serco's female talent in progressing their careers within the company and at the same time use the combined energy of the group to make a tangible difference to how gender equality is viewed in the workplace and how this can drive change in the industry.



The SIW partnered with Everywoman, in 2017, the world's largest network for women in business. Our partnership with Everywoman enables SIW members, male and female, to access a wealth of personal development tools via an online portal. Following the success of this network in the UK we have now also rolled this out in our Asia Pacific business.

We have developed two programmes to support progression into senior leadership roles within Serco.

LEAD is a Talent Programme targeted at Senior Management and Specialists with demonstrable potential to progress into Leadership roles. The programme helps participants to grow stronger networks and increase their exposure to the business, with the overall aim of accelerating the participant's career.

Grow is a development programme aimed at team leaders and those in their first managerial role aspiring to become a senior manager. Participants are enabled to build skills and capabilities with opportunities to receive mentoring, develop their network and potentially move into a new role. We aim to continue to achieve an equal gender distribution of new intake to both programmes in 2018 and every year.



Our 2017 intake to our LEAD and Grow programmes achieved an equal gender distribution.

Case Study - Helen Shaw, Building International Experience

“I joined Serco in 2010, coming from Grant Thornton’s Government and Infrastructure Advisory team. I wanted to make the move from practice to industry but liked the idea of still working across a variety of sectors. Serco’s diversity and its appetite for doing difficult things, particularly first generation outsourcing really appealed to me.

Having joined as a commercial manager I have had fantastic development opportunities. I’ve worked on the Group’s top priority bids, worked with the M&A team, managed the external investigations into the Ministry of Justice contracts in 2013, became the Finance Director of the UK Justice and Immigration business and am now building my international experience as the Finance Director of the AsPac Division. Although I may work in “finance” my role is very operational and I get to see the impact our services make to vulnerable people which makes me very proud to work for Serco.

Serco’s been on an incredible journey over the last 6 years with some very challenging times. I’m privileged to have been on the journey and to have contributed to the strength of the foundations that have now been put in place. I have been given such varied opportunities to build experience and progress my career both within and now outside the UK. International experience is becoming critical for leaders of the future and I hope that through our Serco Inspiring Women Network we can encourage others to make the most of all that Serco has to offer.”



Helen Shaw
Finance Director
Serco Asia Pacific

Support to working families

We have resources to support our people who are expecting or adopting a child – such as our Serco Babies programme in our America’s Division. Our Maternity, Paternity, Adoption and Shared Parental Leave guides are designed to support employees as they prepare to take leave, during their time away from the workplace and in helping ensure a smooth return back to work. We are undertaking a review of the proportion of women who return to work after a period of maternity leave and how many continue to work for us in the first two years after their initial return.

The insights we gain from this will be used to inform further development of our flexible working practices and culture across the organisation.



Our journey to a fully inclusive workplace

Commitment to gender balance forms just one part of Serco's drive for an inclusive workplace. To do this, we remain committed to our current programmes and new initiatives which attract, engage and develop women and other under-represented groups.

Serco Canada has been named one of '**Atlantic Canada's Top Employers**' for 2017. The annual competition recognises the employers in Canada's four Atlantic Provinces that lead their industries in offering exceptional places to work. Employers are evaluated using the following criteria: physical workplace; work atmosphere and social; health, financial and family benefits; vacation and time off; employee communications; performance management; training and skills development; and community involvement.



Serco in the UK has joined the **Stonewall Diversity Champion programme**, Britain's leading employers' forum for LGBT equality, diversity and inclusion; taking part in the Stonewall Workplace Equality Index; developing a '**Transitioning at Work**' policy to support employees taking steps to live in the gender they identify as; and holding LGBT+ events, including a Pride event at HMP Dovegate in August 2017.

We have established a disability network, and signed up to the UK government's **Disability Confident initiative**, designed to help employers recruit, retain and make the most of the talent and insights of disabled people.



In April 2017, our Women at Serco Americas network launched '**Find your VOICE**', a learning programme designed to empower employees and build a dialogue around communication and influence. The programme features internationally recognized communication skills expert, Pamela Jett, sharing practical leadership and communication strategies along with real-life techniques. While the content was tailored for female employees, male employees have been encouraged to participate in recognition of equal applicability. The content has been aligned to the following topics to resonate with Serco employees and inspire them to build new leadership skills.



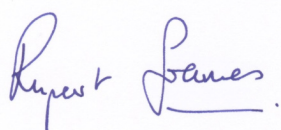
Required Data by Legal Entity

Data included is based on a snapshot date in April 2017. The report includes data for the three legal entities that fall within the reporting requirements (Serco Limited and two subsidiary limited companies within our Leisure business: Serco Leisure Operating Limited; Birmingham Community Leisure Trust).

In order to provide meaningful representative results aligned to our broader Diversity and Inclusion strategy and objectives we will report overall results on a UK consolidated basis below which includes all three entities as well as those employed within Serco entities below the 250 threshold. Detail for the individual legal entities are included below.

	Serco Limited		Serco Leisure Operating Limited		Birmingham Community Leisure	
	Median	Mean	Median	Mean	Median	Mean
Hourly Pay	12.6%	16%	9.2%	11.1%	3.2%	-2.4%
Bonus Pay	-4.9%	50.6%	21%	63.6%	-30.8%	54.9%
Proportion receiving a bonus	Men	Women	Men	Women	Men	Women
	17.7%	13%	17.3%	18.6%	31.4%	39.4%
Top Quartile	Men	Women	Men	Women	Men	Women
	67%	33%	62.2%	37.8%	51.5%	48.5%
Upper Middle Quartile	67.5%	32.5%	61%	39%	42.4%	57.6%
Lower Middle Quartile	55%	45%	43.9%	56.1%	45.5%	54.5%
Lower Quartile	49.2%	50.8%	38.3%	61.7%	46.5%	53.5%

The data in this report is accurate at the snapshot date of 5 April 2017 and is reported in line with UK government reporting regulations



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Bringing service to life



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