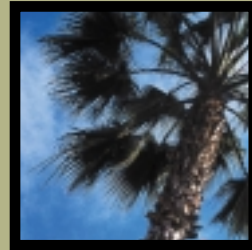
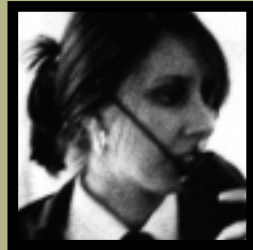




serco

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**'living our values'**

Serco Group plc Corporate Responsibility Report 2003

serco



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## 2

### Serco in 2003:

Turnover:	£1.6 billion
Pre-tax profit:	£67 million before goodwill
Employees:	35,000 (23,000 in UK)
Sales:	UK 73%, international 27% Governments and international agencies = 92% 600 contracts – none representing more than 7% of sales
Operations:	UK, Continental Europe, Middle East, North America, Asia Pacific

**Why 'corporate responsibility'?** Why haven't we called this a Corporate Social Responsibility (CSR) report? Because our definition of corporate responsibility combines not just people, environment and the community – the traditional elements of CSR – but also health and safety. To us, corporate responsibility means, in essence, earning the trust of the people we serve.

3

**S**erco is passionate about service, particularly the provision of public services. Taxpayers want them to be efficient and effective; governments know they can often be improved. Consistently delivering this improvement, in many different fields, has made us one of the world's largest outsourcing businesses. We operate across a wide range of markets, focusing on the public sector and selected commercial customers. Our vision is to be the leading service company in our chosen markets worldwide. Working in partnership

: with customers and staff we aim to  
: transform the quality and efficiency  
: of service delivery by creating an  
: environment where decisions are  
: made quickly, bureaucracy is reduced  
: and continual improvement is normal  
: practice. Wherever we operate, we  
: want to be seen as the partner of  
: choice for national and local  
: governments – and as a company  
: that's attractive to employees,  
: investors and local communities.  
:  
: We began as a UK subsidiary of Radio  
: Corporation of America (RCA). Our first

: outsourcing contract was to maintain  
: the new Ballistic Missile Early Warning  
: System installed at RAF Fylingdales in  
: September 1963. Forty years on, we still  
: have the contract.  
:  
: Since flotation as an independent  
: company in 1988, we've grown rapidly.  
: The main drivers of our growth are:  
: building long term partnerships with  
: customers, innovating to extend the  
: scope, scale and duration of our  
: contracts, and winning new business on  
: the strength of the proven performance  
: of our people.

## our commitment

**4** **Corporate responsibility is everyone's business.** This is the first Serco Corporate Responsibility Report. It is designed for customers, shareholders and other stakeholders who want to know that we are meeting our corporate responsibilities. It is also for our employees, because they are the people who translate our values into action.



Christopher Hyman and Kevin Beeston

We believe that operating in a socially responsible manner contributes directly to Serco's success: it's simply good business practice. Our highly devolved structure and passionate belief in 'living our values' mean that, in Serco, corporate responsibility is everyone's business. Throughout this report we celebrate the ways in which individuals and teams have taken our responsibilities to heart and translated them into action. We hope to show the pride Serco takes in its values, to thank our people for what they've achieved, and to inspire everyone in the business to do even better in the future.

We must show that we understand the expectations of all our stakeholders and can be trusted to meet them. It's not enough to declare our intention of running a profitable and growing business that delivers for its customers, makes safety a priority, stimulates

and nurtures its employees, supports its local communities and protects the environment; to earn trust, we also have to demonstrate that we are achieving these things, and provide a credible strategy for taking this forward in the future.

Our commitment starts at the top, our corporate social responsibility (CSR) strategy, for example, is endorsed by the Board and driven by a CSR Steering Group comprising CSR Champions from each of our business divisions.

We can create supportive strategies and frameworks, but we cannot impose responsible behaviour; that is the result of decisions and actions taken by people throughout the business, on a daily basis. The Chairman's Recognition Awards, launched in 2003, are one way to celebrate and encourage best practice – and the first winners are

announced in this report. We would like to take this opportunity to thank them, and also the many other unsung heroes throughout the business who have helped to earn stakeholders' trust in Serco.

Kevin Beeston Executive Chairman

Christopher Hyman Chief Executive

## our commitment

**Living our values.** As the Global Management Board, we are responsible for ensuring that Serco meets its strategic objectives. We are committed to ensuring that our approach to corporate responsibility is part of the way we do business and underpins Serco's success.

The safety of the public who use and enjoy the services that Serco operates, and the safety of our employees who deliver these services, is of paramount importance to us. We are also continuing to develop our corporate social responsibility strategy, a core theme of which is employability – developing the skills of our employees and the disadvantaged groups in the communities in which we live and work, helping to build independence and optimism. We are finding new ways of encouraging our employees to become personally involved in their local communities and are supporting them in their efforts. Environmental issues remain high on the agenda and the completion of an environmental survey in early 2004 will help us improve our environmental practices across our international business.

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# 6 our commitment

## So what does 'living our values' as an organisation mean for us?

### Safety

The highest care for the health, safety and welfare of our people, customers and third parties is a fundamental duty and vital to our sustainability as a business.

In all regions we have improved our safety performance and we remain committed to further enhancements. To help share the knowledge and expertise developed across our business, we have organised company-wide health and safety networks and continue to operate safety oversight groups to address specific issues such as rail and aviation safety.

### People

We want to be an employer of choice – with the ability to attract people of the calibre we need, retain them and work with them to develop their full potential. This requires commitment at every level. For example, we are working with Business in the Community (BitC) to promote the UK governments' Skills for Life initiative that helps people raise their literacy, numeracy and IT skills. Serco is strongly committed to the principle of lifelong learning. We are also building on the Serco

Best Practice Centre's leadership development programme to foster our senior managers of the future.

### Community

Some 70% of our employees live in the local communities we serve. Our conduct in every one of these communities has an impact on our own reputation and those of our customers. It also affects our employees – we want to ensure that they can take pride in their company's actions.

Our strategy is designed to encourage and support initiatives at a local level. In 2003 Serco reinvested £648,566 back into the community through charitable and community donations, gifts in kind and employee time – this was in addition to the money raised by our employees to benefit good causes. We also launched the Serco Foundation in November 2003, which will provide additional funding for community initiatives undertaken by our employees and businesses.

### Environment

We want to minimise any adverse environmental impacts of the activities

we manage. Moreover, we will encourage innovative approaches to sustainability issues throughout our company. Because the majority of our work is carried out on our customers' premises, it is not always easy to control the impact of our activity directly; but we are committed to exerting a positive influence, both at the bid stage and throughout the life of the contract. Many of our contracts include the management of environmental systems and conservation projects: in these cases we aim to exceed what is contractually required.

### Outlook

Serco is intent on achieving continual improvement in service performance in every contract we manage. That's part of our culture. We endeavour to achieve continual improvement in all areas of corporate responsibility wherever our company operates, as mapped out in our strategic achievements table on page 11. This report describes what we have already achieved. In doing so, it sets the benchmarks against which we will measure our improvement.

Serco's Global Management Board brings together members of the Group Board, senior management and the chief executives of our operating divisions. These chief executives are responsible for their own divisions and share responsibility with the Global Management Board for the performance of the whole Serco Group – including its corporate responsibility.



**Kevin Beeston**  
Executive Chairman, Serco Group plc



**Christopher Hyman**  
Chief Executive, Serco Group plc



**Andrew Jenner**  
Finance Director, Serco Group plc



**Julie Cavanagh**  
Company Secretary, Serco Group plc



**Neil Hayward**  
Organisational Development and Change Director



**Guy Leach**  
Director, Mergers & Acquisitions



**Grant Rumbles**  
Chief Executive, Serco Continental Europe & Middle East



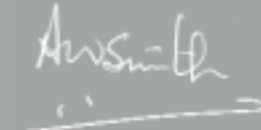
**Steve Cuthill**  
Chief Operating Officer



**Peter Holden**  
Chief Executive, Serco Government Services



**David McGhie**  
Director, Global Development



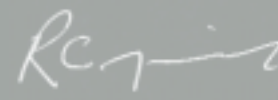
**Andrew Smith**  
Chief Executive, Serco Integrated Transport



**Ian Downie**  
Strategic Development Director



**Brad King**  
Chief Executive, Serco North America



**Bob McGuinness**  
Chief Executive, Serco Science



**Seraj Taiyeb**  
Director, Corporate Development



**Phil Edwards**  
Corporate Director Operations



**Adrian Kloeden**  
Chief Executive, Serco Asia Pacific



**Gordon Paterson**  
Chief Executive, Serco Solutions



**Andrew White**  
Chief Executive, Serco Defence & Aerospace

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## **A word from Business in the Community**

"In formulating Serco's corporate responsibility strategies, we also try to learn from others. In the UK, for example, our membership of Business in the Community has deepened our understanding of our impact on the community. The benefit is mutual," says Julia Cleverdon, Business in the Community's Chief Executive...

"Serco joined Business in the Community in June 2002 and the relationship has developed through Serco's proactive and committed approach. We are delighted that a company that engages so closely with local communities, by delivering public services, shares our vision and goals.

In support of Serco's community strategy, Business in the Community is helping to develop a specific approach for the company on the theme of employability. At the same time, we have learned much from working with a company that has a devolved and decentralised structure, and has put social responsibility at the heart of its working practices for many years.

*Julia Cleverdon*

**Julia Cleverdon** CVO, CBE  
Chief Executive  
Business in the Community



The active involvement of Serco's Executive Chairman in Business in the Community's Renewal and Regeneration Leadership team is evidence of the company's commitment at the highest level. And we are delighted to be included in the Chairman's Recognition Awards panel. Serco's work with Business in the Community sets a clear example of how businesses can make a positive difference to the communities in which they serve."

## strategy and objectives



Serco has clear values that shape the way we engage with our stakeholders – shareholders, customers, employees and others, such as the communities in which we operate. These values are at the heart of everything we do. They underpin the responsible conduct and public service ethos that characterise Serco. Together with our Group business strategy and ongoing stakeholder dialogue, our values shape our safety and corporate social responsibility strategies, which include objectives for the year. As a diverse, far-reaching organisation, we need a coherent framework that defines how we operate across the world. The Serco Management System gives us that consistency and ensures that our corporate and social responsibilities are an integral part of the way we manage our business day to day.

Serco is committed to truth and fair dealing, independence, competence, accountability and treating people with respect – with the aim of delivering a quality, value for money service to our customers.

# strategy and objectives

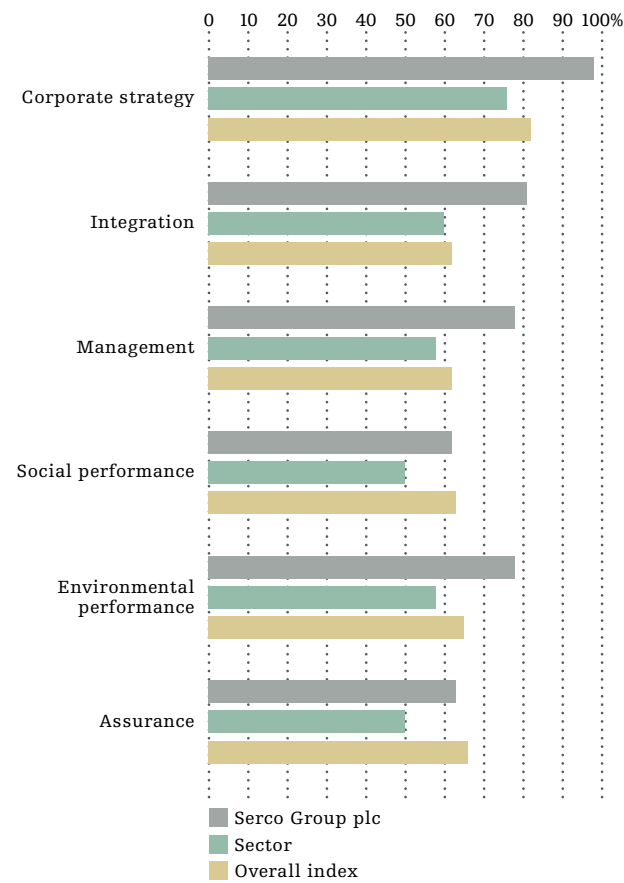
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<p><b>Our principles</b></p>	<p><b>Culture and values</b></p>	<p>We oppose corrupt practices and we properly and accurately record all commercial transactions. Openness and honesty are fundamental to our relationships with our customers and our employees. We require that any outside business or financial interests that could conflict with the interests of the company or its subsidiaries are declared. Serco expects employees to report any infringements and we will protect any employees who do so.</p>	<p>Some of our key objectives for 2003 and how we performed are detailed in the table opposite.</p>
<p><b>foster an entrepreneurial culture</b></p>	<p>We are proud of our culture and values. They have been in place for many years and continue to help distinguish us in our markets. They are embodied in our business principles and describe the behaviour expected of every Serco employee. Serco is committed to truth and fair dealing, independence, competence, accountability and treating people with respect with the aim of delivering a quality, value for money service to our customers. At the core of our values is the belief that if we focus on treating our shareholders, customers and employees fairly we will continue to be a successful organisation in the long term.</p>	<p>These values and management principles underpin our business strategy, which is continually shaped by stakeholder dialogue.</p>	<p>We also benchmark ourselves externally. During the year we took part in the first Business in the Community (BitC) Corporate Responsibility Index, which benchmarked 122 participating companies. The graph on page 12 shows a summary of our overall performance across the corporate responsibility agenda, compared with other companies in our sector and the overall BitC index. We were pleased to be ranked in the second quintile with an overall score of 79%. In the seventh Business in the Environment Index of Corporate Environmental Engagement we scored 76%, an improvement on our 2002 score of 67%.</p>
<p><b>enable our people to excel</b></p>	<p>The way we apply our values will always recognise local culture and statutory requirements as well as any company policy or procedures. Every Serco employee will recognise the rights and sensitivities of other individuals, both within the company and outside. Serco is committed to compliance with all laws relating to child labour and freedom of association. We will not tolerate practices that violate the intent of our values.</p>	<p><b>Corporate responsibility strategy</b></p> <p>We have a robust corporate responsibility strategy that we will continue to develop and refine as part of the way we manage and review our business and appraise our management teams. It feeds into our strategies on health and safety, people, community and the environment, ensuring an integrated approach to our corporate responsibilities. Meanwhile, each business division sets strategic objectives specific to its own area.</p>	<p><b>Stakeholder communications</b></p> <p>We are committed to dealing fairly with all stakeholders – shareholders and customers, our employees, business partners and suppliers, regulators and legislators and the communities in which we operate. Alongside making a profit, which ensures our continuing viability, we aim to deliver value to all</p>
<p><b>deliver our commitments</b></p>			
<p><b>build trust and respect</b></p>			

## Strategic objectives

Strategic objective	Business process	Safety	People	Community	Environment	Achievements in 2003	
Complete a review and reissue all Serco Group policy statements/standards.						<ul style="list-style-type: none"> <li>Comprehensive review completed and revised statements reissued.</li> <li>CSR principles embedded within revised statements and standards.</li> <li>CSR policy standard for the Serco Group agreed and disseminated.</li> </ul>	
Integrate corporate responsibility objectives within business commitment and internal reporting processes.						<ul style="list-style-type: none"> <li>Some elements now incorporated in business commitment process, to be completed in 2004.</li> <li>CSR objectives incorporated within divisional and Group Board assurance reports.</li> </ul>	
Review the current Serco people's awards and develop an award scheme that is more in line with Serco's CSR model.						<ul style="list-style-type: none"> <li>The new Chairman's Recognition Awards for 2003 launched in November with awards being announced in February 2004.</li> </ul>	
Review and revise a set of safety performance measures to be applied across all Serco business operations and establish relevant targets within each business division.						<ul style="list-style-type: none"> <li>Performance measures revised and expanded in line with new quarterly assurance reporting format for divisional and Group Board assurance reports.</li> </ul>	
Develop a leadership model for Serco focused on ensuring Serco develops the appropriate leaders for the business.						<ul style="list-style-type: none"> <li>Model developed commencing with development profiling. Thirty-six directors/senior managers profiled in 2003.</li> <li>A leadership programme was launched with 13 candidates included within the pilot programme.</li> <li>The Institute of Directors/Serco Essential Director programme has been expanded. To date, 64 candidates have achieved Certificate level qualification, 11 Diploma level qualification and five are working to Chartered status.</li> <li>Internal one-day workshop on key corporate governance and risk issues entitled 'Directing our business' developed with 238 people attending during 2003.</li> </ul>	
Develop and establish the Serco Foundation to provide an internal mechanism for Serco to support local initiatives.						<ul style="list-style-type: none"> <li>The Serco Foundation was successfully launched in November 2003.</li> </ul>	
Establish six regional CSR networks between business divisions operating in a particular region to leverage knowledge and resources.						<ul style="list-style-type: none"> <li>Global CSR Steering Group established and chaired by the Executive Chairman, Serco Group.</li> <li>Five regional networks established:                             <ul style="list-style-type: none"> <li>– North America</li> <li>– Continental Europe and Middle East</li> <li>– Greater Manchester, UK</li> <li>– East Midlands, UK</li> <li>– South West, UK.</li> </ul> </li> </ul>	
Complete an environmental impact assessment across all Serco's contracts.						<ul style="list-style-type: none"> <li>Original survey planned for quarter two completed in quarter four.</li> <li>Strategy to be developed in 2004 based on the survey findings.</li> </ul>	

BitC overall summary graph  
Corporate Responsibility Index 2002



stakeholder groups in a safe, socially responsible and environmentally sustainable way.

To ensure business sustainability and to safeguard our longer term contribution to society, we need to understand the views of stakeholders in our decision-making process. Customer dialogue and meetings are managed locally; but to support broader cross-divisional working on stakeholder issues, in 2003 we established three regional CSR networks in the UK and networks across our business in North America and Continental Europe/Middle East.

We remain committed to ongoing dialogue with our institutional and private shareholders. This year has seen a continuation of the company's programme of site visits and strategy presentations attended by institutional investors and analysts designed to deepen understanding of the company and build two-way dialogue.

We continue to develop partnership agreements with our people locally – both directly through the establishment of Employee Communications Forums,

and indirectly through recognition agreements with trade unions.

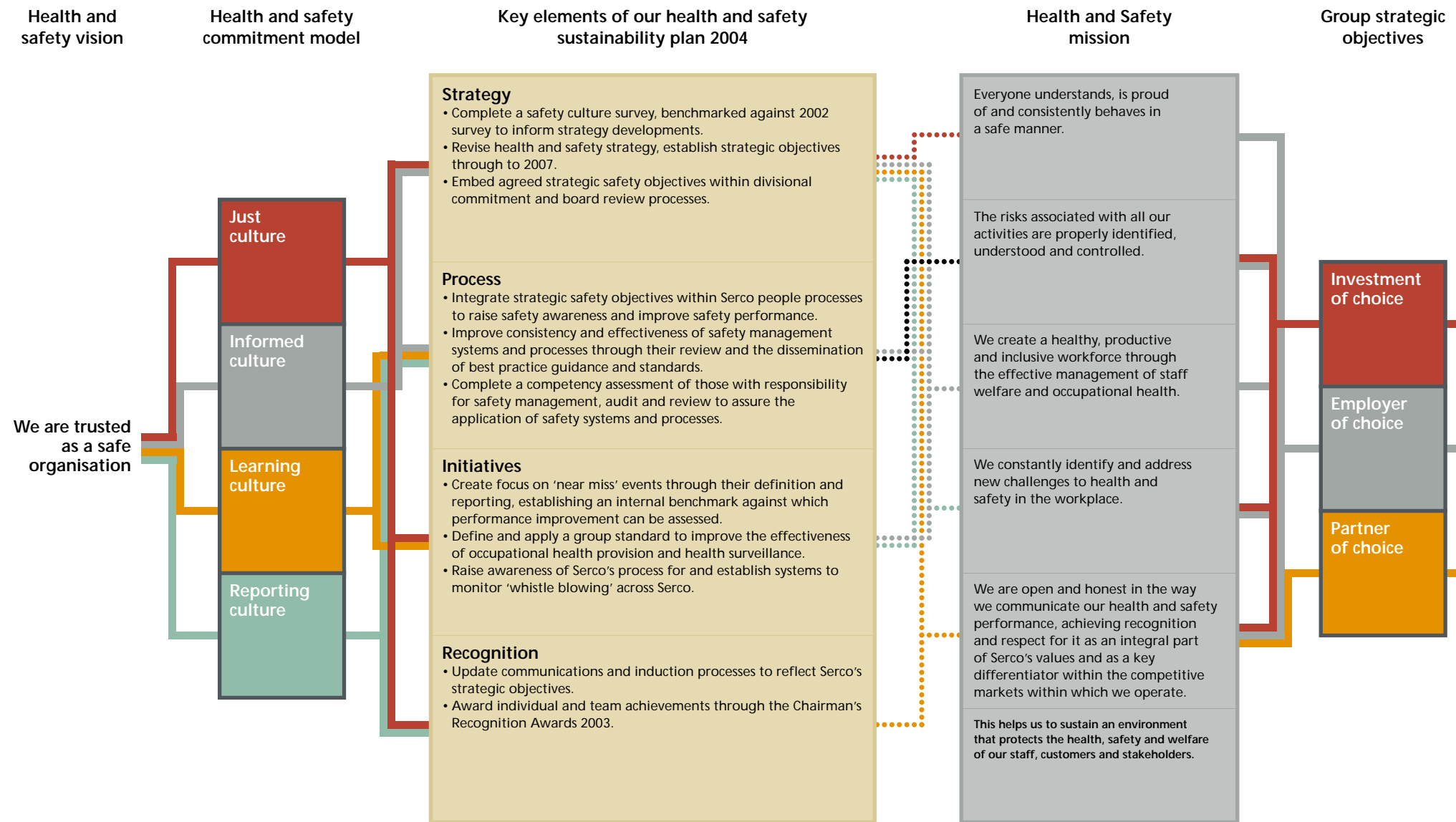
In 2003 we increased the number of our trade union recognition agreements in the UK to over 80.

We work closely with our suppliers, a large proportion of which are local to our contracts, and we expect them to comply with all legal and regulatory requirements on health and safety, diversity, human rights and the environment. We monitor performance of key suppliers through appraisals, reference checks, publicly available information and site visits.

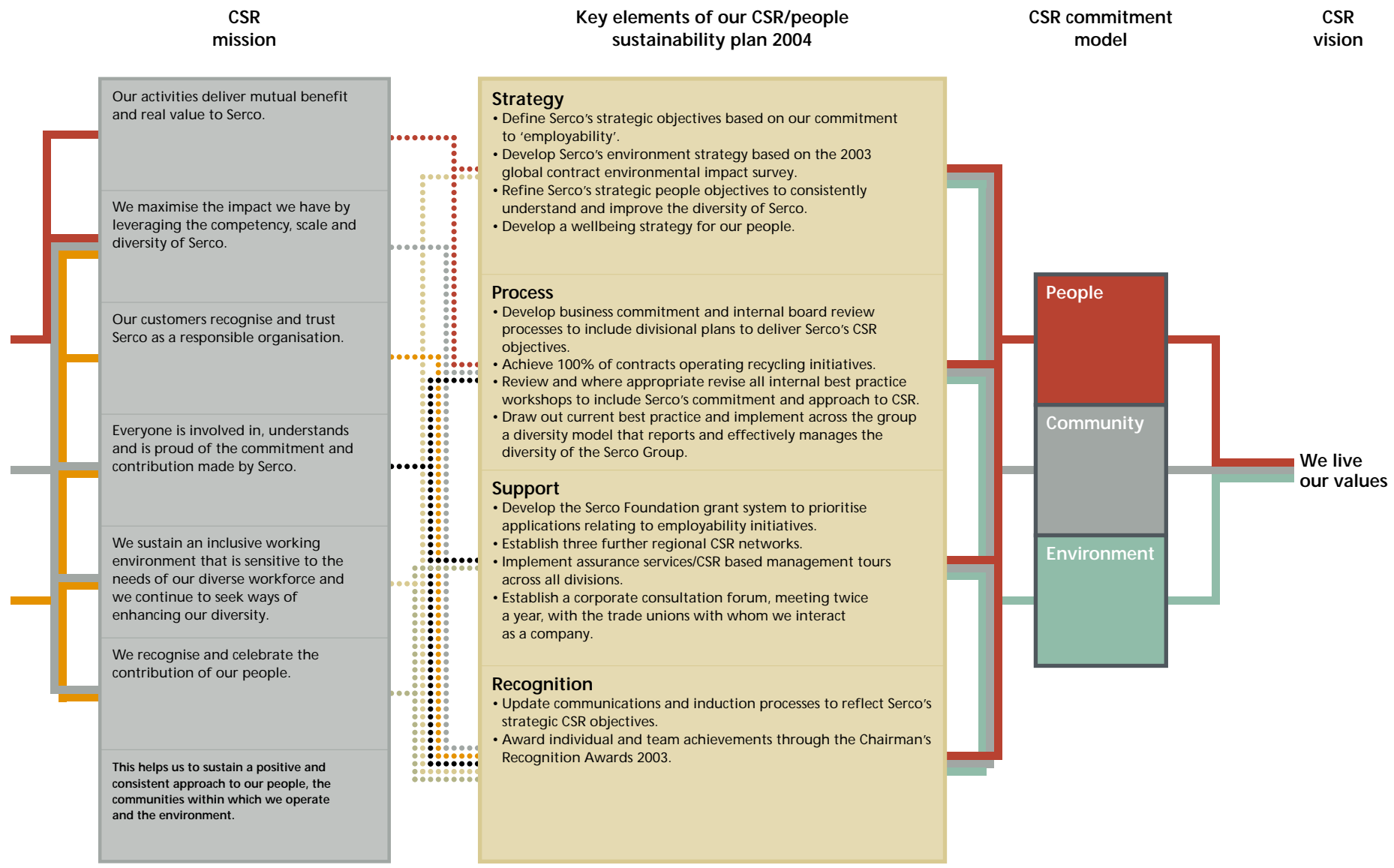
**Objectives for 2004**

The Serco Global Management Board has approved our strategic objectives for 2004, based on recommendations by the CSR Steering Group. Incorporated within an overall sustainability plan, these objectives are driven by Serco's strategic goals and managed through our CSR and safety models. Our key objectives for 2004 – and the integrated processes by which they are to be achieved – are illustrated in the Strategic Objectives diagram on page 11.

**Corporate responsibility strategy**









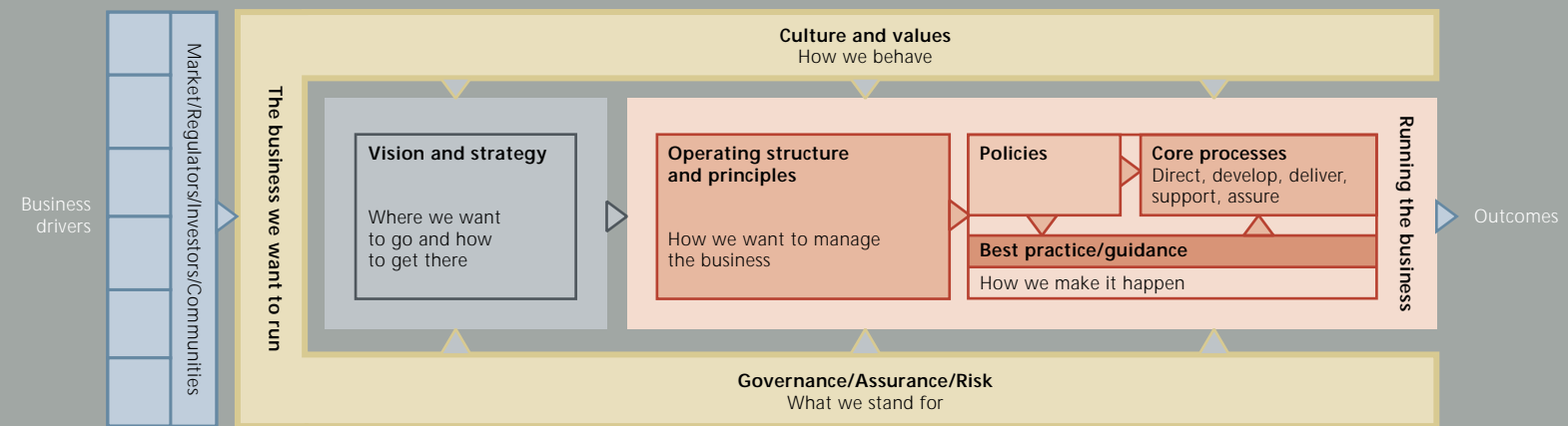




# systems and processes



Understanding our approach to corporate responsibility requires an understanding of how we manage our business. Serco is fundamentally straightforward: to every project we bring expertise in managing change, proven management processes for delivering continuing performance improvement, and a commitment to being good corporate citizens. We believe in decisions being made as close to the point of delivery as possible. So we operate via devolved companies with clear and short lines of communication, where the people who are best positioned to make decisions are able to do so.



The Serco Management System

## systems and processes

That is why we have a coherent framework that defines how Serco operates. The Serco Management System applies throughout our business in which safety and CSR are integral elements. Through the Serco Management System we have embedded our corporate and social responsibility processes at all levels in the company. The system provides clarity on the vision and strategy of Serco Group plc, the rights and obligations of management, and the core processes that enable the organisation to be consistent globally while accommodating business diversity and a devolved management style.

As the diagram opposite shows, the Serco Management System is built around two principal elements:

- **The business we want to run** – Serco’s global strategy, core business model and the values adopted by the organisation
- **How we want to run the business** – how we manage and make things happen. This is reflected in the operational strategies of contracts/ business units, operating companies and business divisions.

### Recognising our social responsibilities

We have developed a CSR model that forms an integral part of the Serco Management System. It focuses on three elements: people, communities and environment. Because it is based upon our values, it can be embedded in any of our businesses around the world.

All business divisions, operating companies and contracts are required to develop CSR programmes based on a process that identifies where they can make a difference in these areas. Our success in embedding the CSR model is based on the appointment of CSR Champions who, with the support of the contract management teams, ensure:

- Awareness training
- The involvement of employees in the CSR process
- Collective responsibility for a planned approach to developing the contract’s CSR strategy
- The reporting of all CSR activities and commitments
- The reviewing of progress against commitments.

The CSR Steering Group is responsible for the overall coordination of this approach. Established in 2003 and chaired by Serco’s Executive Chairman, it meets quarterly and supports our strategic goals by:

- Developing, reviewing and implementing policies and guidance that reflect Serco’s values
- Ensuring these are embedded across the business through current management processes
- Understanding the requirements of the company both locally and globally
- Sharing best practice and collaborative working across geographic boundaries to maximise the impact of our community investment and enhance Serco’s reputation.

The Steering Group helps our operating businesses develop and maintain effective and efficient CSR programmes, provides guidance on CSR issues, and raises awareness and understanding through communication and sharing of best practice.

All business divisions, operating companies and contracts are required to develop CSR programmes based on a process that identifies where they can make a difference in these areas. Our success in embedding the CSR model is based on the appointment of CSR Champions throughout the business.



**Anna Lancia** CSR Champion, Serco Italy

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“ It’s a privilege for me to be a CSR Champion in a company so driven by its values. Everything Serco does as a business is underpinned by its principles, from its concern for the environment to its commitment to safety.

I’m most proud of the way Serco demonstrates its values in charitable work. At Serco Italy, we’ve used our expertise to set up community multimedia centres in Sardinia, and we donate our used PCs to local schools. In 2003, we sponsored a Sudanese student to enable him to complete his degree in medicine, and in 2004 we’ll be supporting a rehabilitation centre in Afghanistan.

My main role at Serco is as communications manager, and I use the same skills to communicate the company’s values to employees. But championing CSR isn’t just about telling employees what our values are – it’s about ensuring we operate in a way that extends those values to them, by giving them support and providing them with opportunities. I hope they then carry our values forward in their dealings with clients and customers.”



# Health and safety 21



Health and safety is our highest priority. Serco continually strives to create and sustain a safe and healthy working environment for our employees, customers, members of the public and any other third party. We work rigorously to ensure legal compliance in all areas where we have responsibility. At a local contract level we run a range of initiatives to increase awareness of health and safety issues among employees and to encourage them to report incidents. Comprehensive occupational health services are central to our mission – they help us track illness and provide an environment in which the health of our people is not adversely affected by the work they do.

“The highest care for the health, safety and welfare of our people, customers and third parties is a fundamental duty and vital to our sustainability as a business.”

Kevin Beeston Executive Chairman

Serco focuses on creating a culture dedicated to eliminating accidents at work and absence due to work-related ill health. We have systems and processes to control risk and to ensure we meet Serco’s policy standards on health and safety. The directors of Serco

: Group plc are ultimately responsible  
: throughout the company for policy and  
: ensuring its effective implementation.  
: The Executive Chairman champions  
: this on the Board. A full-time Director  
: Health, Safety and Environment  
: (Company Safety Adviser), a member



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of the Corporate Assurance Group, is responsible for the development of policy and company standards, ensuring legal compliance and continual improvement. In addition to the quarterly meetings of our Assurance Network, safety oversight groups address specific issues, such as aviation and rail safety. Each business division is required to include health and safety performance information in its quarterly review of systems and performance. This information is consolidated into a quarterly assurance report for the Serco Group plc board.

### Improving the way we manage health and safety

Across the Group we focused on two particular areas in 2003: the definition and implementation of performance measures that can be applied consistently across the group; and the development of a more effective mechanism, Assure™, to capture performance data and ensure informed

management decisions to improve health and safety within the business.

Our aviation business focused on developing and implementing aviation safety management systems to meet the requirements of the International Civil Aviation Organisation Annexes 11 and 14 by November 2003. We successfully gained Air Navigation Order Article 88 acceptance in the UK in March 2003, well ahead of the European deadline of July. The regulator in the UAE has accepted our systems at all UAE airports and we are currently seeking approval from the regulator in Canada for our operations at Southport. All other air traffic service operations are implementing their systems with full approvals to be gained in 2004.

Our UK marine operations, operated through Serco Denholm, successfully renewed a document of compliance for the safety management system for

a further five years after a three-day verification audit by the Maritime and Coastguard Agency.

In July we gained the railway safety case acceptance certificate and met all licensing requirements before operation of the Merseyrail concession. Our operations at Docklands Light Railway gained a level seven result in the Rail Operators Audit Rating System, making us the first light rail operator to attain this level and only the third national railway operator to do so. Serco Rail Property was awarded Network Rail Best Safety Performing Contractor 2003, Northwest Zone.

During the year, we were approached by the UK Health & Safety Executive to participate in a collaborative study examining its engagement with major support services contractors. The study included an independent review of our health and safety commitment, systems and processes, and provided

confirmation of our commitment to the principles of effective health and safety management. A number of recommendations form part of our safety strategy for 2004.

Many of our areas of activity operate under specific industry regulators and we continue to maintain effective working relationships with these specialist bodies.

### Health and safety performance

In the UK our accident/incident rate for 2003 was 959 – an improvement against our performance in 2002 of 1,031. The rate is calculated by multiplying the number of reportable accidents by 100,000 and dividing by our total number of employees. It reflects 156 reportable accidents/incidents compared with 168 in 2002.

We have an excellent record on safety and, after eight years with no safety-related prosecutions, we were fined



**Managing risk** At Serco, our reputation and the success of our business depend on effective management of health and safety. Most of our activities involve relatively low safety risks, but we do have contracts in some areas, such as defence, rail and aviation, where the potential hazards are greater. To control those risks, and to ensure a robust, efficient health and safety culture, we've developed increasingly rigorous systems and processes.

Assure™ is our innovative assurance reporting system, developed in-house by Serco Assurance. This web-based application enables our contracts around the world to

record and monitor planned and unplanned events easily, helping us see where and how risks arise. Using that information, we can prevent such incidents recurring, and reduce the risk of a major accident. "Assure™ has given us far greater consistency in reporting across our contracts," says Bob Muddle, Account Manager, Serco Assurance. "As a result, we're able to report on our incident activity worldwide on much more of a 'real-time' basis, and measure our safety record against industry standards."

Assure™ has now been rolled out to over 80% of the company. We plan to extend it to the rest of our business soon.



### Beating violence

Verbal and physical assaults can be all in a day's work for public transport workers. But at Serco Integrated Transport that's a situation we're not willing to accept. In addition to injury, assaults can cause low morale, unnecessary stress and anxiety among our employees. Violence at work is bad for business too, leading to recruitment and retention problems, absenteeism, high insurance premiums and compensation payments.

On the Docklands Light Railway and the Manchester Metrolink, we're making significant strides against employee assaults. All our front line people are trained in dealing with conflict and confrontation sensitively. We're monitoring assaults more carefully to pinpoint problem locations and times. We've adopted improved CCTV technology, and we're working more closely with the police.

"At Serco Integrated Transport, we recognise that workplace violence is an issue," says Andrew Smith, Chief Executive. "We understand that employees need our support, both by implementing measures to prevent such attacks, and by providing counselling after the event. At a recent employee assaults conference, attended by representatives from the British Transport Police and the Suzy Lamplugh Trust, we committed to a strategic target of halving physical and verbal assault rates by 2006."

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in the past year in relation to just two incidents. During the year we were also subject to three prohibition notices and six improvement notices. All issues raised have been acted upon and resolved and, where appropriate, safety notices have been issued across the Group.

In 2003 the Atomic Weapons Establishment, which we manage with partners, won the national Defence Sector award from the Royal Society for the Prevention of Accidents (RoSPA) in the UK for unprecedented third year. RoSPA also awarded us two gold medals, four gold awards and a bronze award, as well as a highly commended in the Defence sector for RAF Fylingdales.

In North America we have adopted the lost days incident rate as our primary health and safety metric. This figure fell by 30% in 2003 from 1.85 to 1.30, thanks to a number of initiatives. In 2004 we aim to continue the improvement with a long term goal of a LDIR of 0.1.

Our operations in Asia Pacific have seen a 30% reduction in the frequency of lost time injuries (per one million man hours worked) and lost time incidents (per 100 employees). A zero tolerance programme on lost time injuries – already a success in New Zealand – was extended across

Australia in 2003. The rolling 12-month rates during 2003 show a gradual trend downwards and we are committed to reducing them further.

### Work-related ill health

For many years, Serco has been committed to addressing the issues associated with work-related ill health. We have put in place occupational support services across our business with the aim of providing an environment where the health of our employees is not affected by their work.

Of the 462 instances of work-related ill health in the UK during 2003, 37% involved workplace-related stress. We have made stress a key focus for 2004 – with initiatives such as awareness and skills training – and are developing robust internal systems to collect and track data more effectively on sickness of all kinds. In 2003 the Atomic Weapons Establishment received the Occupational Health Award (Astor Trophy) from RoSPA for the best managed occupational health programme in the UK.

In Australia a trial of a new employee assistance programme began in March on two of our larger contracts. The programme was extended in September and a review in 2004 will consider further implementation.

## Safety Awards

### 2003 Chairman's Recognition Safety Awards

#### Individual Award

**Steve Sanderson** Court Escort and Custody Services, Portsmouth, UK

#### Team Awards

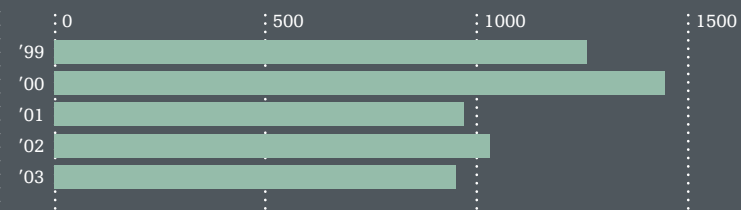
**Aviation Services Support Team** Serco Defence & Aerospace, Hook, UK

**Contract Team** West Yorkshire Transport Services, Bradford, UK

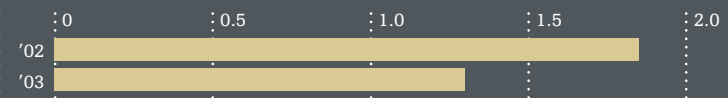
**Divisional Team** Serco North America

**Serco Docklands Limited** London, UK

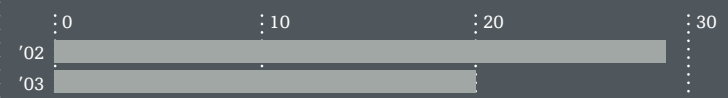
UK accident/incident rate 1999-2003



North America – lost days incident rate 2002-2003



Asia Pacific – lost time injury frequency rate 2002-2003



Asia Pacific – lost time incident rate 2002-2003







### Making a stand for safety

Safety is Serco's number one priority – from the shop floor to the boardroom. Just ask Brad King, Chief Executive of our operations in North America.

In 2003, Brad initiated a Stand Down Hour across all Serco sites in North America. During this time, employees stopped work while managers and visiting experts made presentations on health and safety issues. A special health and safety newsletter packed with information and advice was also distributed to employees.

As part of a feedback exercise, Brad and his management team took the time to listen to employees' ideas on how to improve health and safety standards at Serco. These included making the health and safety newsletter a regular publication and partnering with our customers to achieve positive safety changes. "We were very impressed with the ideas and initiatives of our workforce," says Rich Gilligan, Vice-President Corporate Assurance. "We have already acted on a number of valuable suggestions, and we continue to track our progress as we implement suggested process improvements to support a strong safety culture."



### Signed up for safety

Serco is committed to putting safety first and, at Serco Hong Kong, we've made that an official pledge.

At a ceremony at Aberdeen Tunnel – a Serco-operated toll road – Russell McGuigan, Serco Hong Kong's managing director publicly signed the Occupational Safety Charter supported by Hong Kong's Labour Department and the Occupational Safety and Health Council.

"By signing the charter in the presence of senior government officials, I wanted to show employees how seriously we take workplace safety," says Russell. "At the same time I was keen to signal to customers that safety is a management issue at Serco." The charter is just one element of Serco Hong Kong's focus on health and safety. The company has pledged further resources for training courses, and has recently appointed a company safety manager.









“Being socially responsible is not just about how companies engage with their external stakeholders and provide support to the communities in which they operate, but also about how they engage with and support their own staff. By embracing an inclusive approach involving their employees and working with their trade unions on shared objectives, Serco is proving that as an organisation they genuinely believe that CSR is everyone’s business.”

Bert Hill Senior Organiser, GMB Trade Union

# People



The quality of our people is integral to our competitive advantage. Giving them every opportunity to excel – by providing comprehensive and meaningful development and training, and a fair and open workplace – is not just good corporate responsibility, it is good business sense. Our fundamental belief is that people come to work to do a good job, to develop, to seek fulfilment and to have fun. They want to take responsibility for their work and contribute to the success of the business – hence our devolved structure and management style.

Being an employer of choice is one of Serco’s strategic imperatives. By operating in ways that are inclusive, we see improved customer satisfaction, greater commitment from our employees, and an enhanced reputation in the community at large. Our commitment to equality of opportunity and diversity is deep rooted. While our objective is to have the right person for the right job, we have global policies covering areas such as equal opportunities, people and ethics that ensure our businesses worldwide operate in alignment with our culture and values, as well as complying with local legislation.

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### In the shadow of SARS

In 2003, the SARS (Severe Acute Respiratory Syndrome) crisis swept the Hong Kong region. Serco staff working on hospital contracts in Hong Kong demonstrated great courage, professionalism and dedication as they reported to work each day to support the care of SARS patients.

Under such circumstances, the safety of our staff was crucial. All cleaning and portering staff were given full protective clothing and masks, and followed infection control procedures such as washing thoroughly before leaving the building.

"The SARS crisis gave us the chance to demonstrate our team spirit to clients," comments Rebecca Yu, Senior Manager in Hospital Services, "and we have a better relationship with our customers as a result." We were also given a 'Caring Company' award by the Hong Kong government for the second year running. Serco Guthrie, our business in Singapore, was one of only six private companies to receive a President's Certificate of Commendation for making a significant contribution to the country's fight against SARS.

Serco fully embraces the principles of human rights, where we have clear policies. We also have policies on equal opportunities, whistle-blowing and ethical behaviour. Our policies and procedures are regularly updated and embedded in our businesses by a committed network of human resources professionals across the company.

#### Developing our people

Serco is committed to the principle of lifelong learning. Our learning programmes have evolved with the challenges in our business environment. A groundbreaking scheme with the UK Institute of Directors (IoD) – designed to equip people with fundamental director-level skills – has been highly successful. So far over 60 directors have achieved the IoD Serco Certificate in company direction and 11 have achieved the Diploma. We will continue to develop this programme during 2004 by introducing distance learning and other tools to support individual development across wider geographical regions. During 2003 we launched our personal development planning process for members of Serco boards. This process results in an individual having a targeted and focused development plan. We will complete this process during 2004. Additionally, we have launched our leadership programme to identify and nurture talent for the

future. We are equally keen to unlock the potential of non-managers, with vocational training designed and delivered at contract level. Many of our businesses worldwide have developed learning programmes in partnership with local educational colleges and learning centres. For example, a learning facility at Norfolk and Norwich University Hospital NHS Trust opened in October 2003 and gives employees access to online self-study courses.

#### Managing our diversity

Serco has seen phenomenal growth in employee numbers in recent years. Because we recruit largely from the local community, our workforce generally reflects the diversity of the local population. Employees also join Serco through Transfer of Undertakings Protection of Employment (TUPE) in the UK and the equivalent in other countries, as well as through the acquisition of new businesses. Each business considers the relevant local labour market conditions and associated diversity issues – and frequently reviews recruitment methods and succession planning accordingly. Our businesses in North America are among those required by law to collect extensive data on gender, ethnicity, disability and other characteristics.







Educating our people isn't just a charitable act – it makes good business sense too. By making learning and development a priority, we've built a more loyal and responsible workforce.



**Employee education** We're committed to communicating with, supporting and developing everyone who works at Serco – wherever in the world we operate. At Equity Aviation, our aviation logistics joint venture in South Africa, we've worked particularly hard to extend our values to the company.

A large proportion of Equity Aviation employees grew up without access to a proper education. They're now attending numeracy and literacy classes arranged and funded by the company. We've also introduced a financial skills workshop to help employees manage debt, which has resulted in one-on-one sessions for people who have identified themselves as at risk; medical programmes that offer HIV screening and counselling, and help with diet and obesity. "Over 1,000 employees have taken advantage of these programmes," explains Heylee Treasure, Change Management Director. "We've been able to train over 900 employees in customer services, and 50 of our employees are now multi-skilled."



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"Our commitment to diversity isn't just driven by legislation or altruism. There's a business benefit too: we know a more diverse workforce will win us more customers from diverse backgrounds. By making positive steps to attract employees from a broader section of the community, we will ensure that we're well on the way to a representative workforce on the Manchester Metrolink."

Lucy Adams HR Director, Serco Group plc



During 2004, we will be examining a more consistent and structured process for capturing this type of employee information wherever we operate. The result will be an improved global understanding of the company's diversity.

#### Communication and participation

We continue to explore different ways of communicating with our employees, both directly and indirectly, as the company grows worldwide. During the past three years we have developed a global intranet called 'Our World' where any employee can download company information, browse Serco job opportunities worldwide and find detailed information on topics such as CSR. Between July and December 2003, the intranet received over 8 million hits from 180,759 visitor sessions. Our in-house Group magazine reflects the work of our employees globally, while individual divisions



**Working towards diversity** At Serco, we endeavour to recruit the best person for the job. But we've learnt that in public-facing services, the best people for the job are often those who reflect the community they're working in. That's why, on the Manchester Metrolink, we're building a workforce that genuinely reflects the diversity of the area.

An ongoing recruitment campaign is positively encouraging employees from the Asian community. Adverts are placed in Asian community journals, and stands have been taken at a number of local community exhibitions. We're doing more than just welcoming applications from Asian people – we are trying to engage with groups within the local Asian community, such as the local mosque, to understand how we need to change our approach to recruitment.

have developed, or are in the process of developing, their own newsletters. Noticeboards remain a very popular way of communicating.

In addition, over 60% of our UK operating businesses have some form of collective consultation and participation forum. All our employees enjoy daily, weekly, monthly or annual meetings, and over half have access to team briefing systems. Meanwhile, we continue to work in partnership on joint workplace initiatives with the TUC Partnership Institute across a number of sectors of our UK business. Around 35% of our employees are covered by over 80 separate recognition agreements with over 20 different trade unions. This is nearly twice the union density for the UK private sector generally. These unions range in size from small specialist unions to the four biggest unions in the UK. We have also

evaluated the findings of an employee survey by MORI, published in 2003, and incorporated these into our people strategy.

#### Recognition

People stay loyal to Serco and the company is keen to recognise their long service. For many years we have given long service awards for 10 years' service and every subsequent five years. We also recognise long service by people from other organisations who have joined Serco through TUPE transfers, acquisitions and joint ventures. During 2003 we decided to broaden the scope of our Employee of the Year Awards. Now called the Chairman's Recognition Awards, they attract nominations in five categories, including two people award categories, and awards for safety initiatives, community projects and environmental initiatives.



### Teaching English abroad

At the heart of our People Strategy is the recognition that qualified and motivated employees at every level are what makes our business a success. At Serco Gulf in Dubai, we're providing our workforce with evening classes in English. It's the recognised business language in the area, but over 90% of our employees don't have English as a first language.

Since, 26 employees have passed the Headway English Language Course for Beginners, which is a 12-week course designed to improve verbal communication in English. The majority of the graduates have now moved on to the elementary level class to develop their reading and writing skills. A 'New to English' class has also started, in which beginners with no previous knowledge of English learn the basics in 12 weeks.

"Teaching English has proven to be a popular initiative," explains Health, Safety and Quality Manager Melissa-Kate Ashwell, "and Serco Gulf employees have jumped at the chance to improve their communication skills." Many employees are keen to advance their promotion prospects too – and we're keen to encourage them to take on wider roles.

## People Awards

2003 Chairman's Recognition People Awards

### Individual Awards

- Michelle Martin Merseyrail, UK
- Steve Vance Parking Meter Collections, Los Angeles, USA
- David Jeal HMP & YOI Ashfield, UK
- Nick Leigh Serco Rail Maintenance, Derby, UK
- Bobbie Graham Serco Docklands Limited, London, UK
- Heylee Treasure Equity Aviation, South Africa
- Gary Docherty HMP Kilmarnock, UK
- Karen Pollard HMP & YOI Ashfield, UK
- Mike Anderson Serco Property Solutions, New Zealand
- Graeme Orr City West Water, Sunshine, Australia
- Melanie Waldron Serco Sodexo Defence Services, Townsville, Australia

### Team Awards

- Neil Bowman & Tony Serjent RAF Northolt Support Services, UK
- Contract Team Air Operations and Maintenance Services, Bermuda International Airport
- Matt Sonnet, Martin Strange and Phil Buckley Nimrod R1 Communications Control System, UK
- Contract Team Support Services, Wishaw (Law) Hospital PFI, UK
- Contract Team Canterbury Direct Service Organisation, UK
- Steve Murray, Andy Stewart, Denise Daly and Deborah Crutchley Education Walsall, UK
- Air Traffic Control Team Lewiston Tower Air Traffic Control, USA
- Support Team Iraq Airports Team, USA







We recognise that employability is at the heart of what we can offer people across our business and the communities in which we serve.

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# Community



The nature of our work means we are part of the local community, often delivering services on which people rely. Some 70% of our employees also live in the local communities in which we work. We believe it is important they can be proud of the company's approach locally and take credit for our collective achievements for our customers. Serco has always been involved with local community projects and our employees are enthusiastic fundraisers and volunteers. We support their efforts in a number of ways, and we are always looking to ensure that the impact of our community projects is as positive and lasting as possible.



“ We couldn’t have made this happen without the support of Serco and our other partners.

Serco has been more than a sponsor, they really have been partners in the project – connecting us up with their bus expertise and responding quickly to any problems we’ve had. We have built a strong relationship which we hope will continue.”

Lee McIvor Circus Monoxide’s Business Manager



**Serco’s circus** Serco provides emergency, fire and transport services at all BlueScope Steel operations in the Illawarra region of New South Wales, Australia. As a major employer in the region, we regularly offer our expertise in ways that will benefit the local community – from providing first aid services at local festivals to landscaping a nearby park.

Most recently, we’ve championed the performing arts by working with Circus Monoxide – Illawarra’s home-grown circus troupe – to convert a double decker bus into a portable performance space. Working with our customer BlueScope Steel and other supporters of the circus, we’ve cut the bus in half, installed new hydraulics and mechanics to operate a pop-out stage and painted the bus in bright metallic colours.

“Circus Monoxide is hugely popular in our region,” says Andrew Ruddy Transport Co-ordinator, “and with our help, they can now take their show to communities all over Illawarra. Together we’re transforming the area into a centre for performing arts.”



**A gift from the West** Serco’s facilities management contract with the UK Ministry of Defence’s Abbey Wood site – one of the largest office complexes in Europe – included a programme to replace the refrigerators in every employee coffee point. As the 138 fridges were all still in good working order, we didn’t want to see them scrapped so we set about finding them a new home.

“With the help of charity organisation Euroaid, a group of volunteers and myself from Abbey Wood cleaned up the fridges and shipped them to Emmanuel University in Oradea, Romania,” explains Works Services Manager Trevor Rickwood. “They’ve now been installed in student accommodation.”

Such donations can be a big help to universities like Emmanuel that find replacing equipment expensive. With our help, the university can spend its funds where they’re most needed – on educating Romania’s students.

Our community activities are as diverse as our business, and we manage them at a local level. Community is an important concept at Serco. For us, it effectively means a number of different groups of people: other parts of our own company which we support through expertise, resources, and day-to-day assistance; the local people and organisations with which our contracts and businesses interact and develop positive relationships; the local business community with which we work to identify positive initiatives; and communities in need, such as schools and charities, with which we encourage our employees to get involved.

There are many ways in which we support the local community – from raising money for local charities to providing facilities to local community groups; from providing work placements to supporting local schools; from helping prisoners find work and

accommodation on release to using local suppliers wherever possible.

In previous years our fundraising activity has focused on a single charity, Save the Children, for which our employees raised £487,000, in addition to major sponsorship from Serco. A review of our charitable giving found that employees wanted to raise money for local charities and community projects to which they could relate more closely. Hence the launch in 2003 of the Serco Foundation, which provides additional financial resources to our employees and businesses to undertake community projects.

Serco encourages its employees to volunteer their time to local projects. This not only benefits the community and builds the reputation of both Serco and our customers; it also has a positive impact on the personal development of the volunteers. While we currently provide specific



### Training our future engineers

In Seminole County, Florida, Serco maintains a fleet of county vehicles for the police, fire, forestry and other services. Our employees work on a wide range of vehicles from landfill trucks to lawnmowers.

As part of a local automotive mentoring programme, we're involved in a student placement scheme. The student mentoring programme partners with local high schools and technical colleges to encourage young people to consider careers in the automotive industry. By offering real employment experience, the programme prepares them for either entry-level jobs or advanced studies in automotive technologies.

And the students aren't the only beneficiaries of the scheme: "I'm learning about the very latest technologies at college," explains David Ramirez, our first student who joined us in 2003, "and I can take that knowledge back into Serco to benefit the company." But while David's learning the theory in school, we're making sure he's getting his hands dirty too - with hands-on training on Seminole's varied fleet.



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support to employees who become magistrates, school governors or armed forces reservists, during 2004 we want to expand our volunteering strategy to include broader forms of volunteering.

We recognise that employability is at the heart of what we can offer people across our businesses and the communities in which we work. That means looking not just at how we link into disadvantaged groups, for instance, by offering work placements, but also finding ways of helping our employees develop their own skills.

A representative of the UK organisation Business in the Community (BitC) has been seconded to Serco to develop an employability strategy to coordinate our many, wide-ranging efforts initially in this area. This will be implemented initially in the UK but we will roll-out the principles elsewhere in the world.

It would be extremely difficult to quantify the overall impact of the many hundreds of activities being undertaken by Serco contracts worldwide. Our figure for donations to registered charities in 2002 was £94,859, but this represents only one way in which we contribute. In 2003 we developed a process for calculating our worldwide community investment. This will enable us to measure our performance against

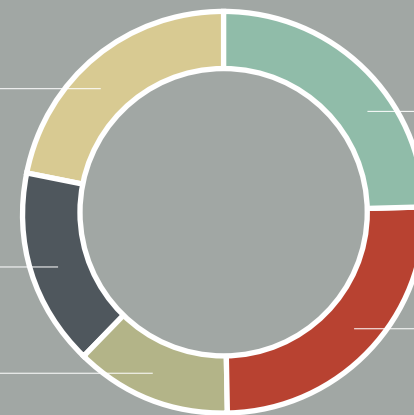
the voluntary industry standard of reinvesting 1% of pre-tax profits into the community – which is also Serco's target. The measurement includes cash support, gifts in kind, employee time and related management costs and is based on BitC's established reporting format. Our contracts, through their divisions, are required to report this information quarterly. On this basis, our total figure for community investment in 2003 was £648,566 – which amounted to 1.22% of pre-tax profits based upon profits before tax after goodwill.

The pie chart shows how this figure breaks down.

Gifts in kind, including facilities and assets  
**£141,811**

Employee time, including professional expertise and volunteering in company time  
**£102,849**

Management time  
**£81,557**



Community investment

## Community Awards

### 2003 Chairman's Recognition Community Awards

#### Individual Awards

- Stephen Moreton Serco Test Systems, Waterloooville, UK
- Tony Hedges Black Lion Leisure Centre, Gillingham, UK
- Trevor Curruthers HMP Dovegate, UK
- Jude Concessio Abu Dhabi International Airport, UAE
- Melissa-Kate Ashwell Serco Gulf, UAE
- Rita Atkinson Serco Assurance, Harwell, UK

#### Team Awards

- Lynn Stygall and Paul Biver National Physical Laboratory, Teddington, UK
- Community Re-Entry Team HMP & YOI Doncaster, UK
- Contract Team Fleet Management, Seminole, USA
- Serco Guthrie Singapore



### The chance of a new start

Ex-offenders can face a number of obstacles as they try to find employment but, for many, the problem is straightforward – they simply lack a suitable home address. Doncaster Prison, managed by our Premier Custodial Group business, has found one solution.

Doncaster Prison and Reed In Partnership – a ‘welfare to work’ specialist – won a grant of £10,000 to help prisoners with imminent release dates secure accommodation with a private landlord, rather than enter a hostel. The success of the project has led to an additional award of £50,000 – and the scheme has been extended across all Yorkshire and Humberside prisons. The Prison Service has recognised the scheme as an example of resettlement best practice.

In the last two years, Reed In Partnership and Doncaster Prison have helped 135 people find housing, win employment and make a positive contribution to society after leaving prison. “This project is above and beyond our contractual obligations,” says Brian Anderson, Deputy Director and Head of Resettlement, “but it’s the kind of initiative that helps secure our reputation as a credible provider of custodial services.”





WARNING TOW-AWAY ZONE  
NEW HOV3+ TOW-AWAY ZONE  
PLEASE READ SIGNS CAREFULLY

2 HOUR  
PARKING  
MON.-THU.  
8 AM TO 10 PM  
FRI. & SAT.  
8 AM TO 12 MIDDAY  
EXCEPT SUNDAYS & HOLIDAYS

4 HOUR  
PARKING  
MON.-THU.  
10 PM TO 2 AM  
EXCEPT SUNDAYS & HOLIDAYS

TOW-AWAY  
NO PARKING  
12 MIDDAY - 7 AM SAT.  
AND  
12 MIDDAY - 7 AM SUN.  
NO EXCEPTIONS  
TOW AWAY WILL BE CALLED OUT BY THE CITY

TOW-AWAY  
NO STOPPING  
4 AM TO 7 AM  
DAILY

SPY



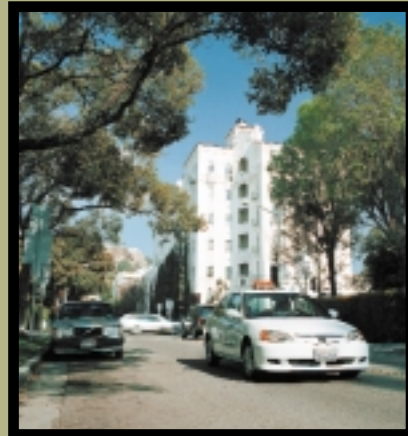
Serco recognises its responsibility to ensure that any adverse impact on the environment is reduced or, where possible, eliminated by applying the most appropriate management systems

# Environment



Serco is committed to responsible stewardship of the environment, wherever we operate and specifically where our activities have the potential to affect the environment adversely. We aim to identify and reduce our impact on the environment, minimise the use of energy and other resources and reflect the principles of sustainable development in all our activities. Our policy and guiding principles on environmental issues are embedded in our business through our management systems. Across the majority of our activities, we are working on our customers' sites and therefore not in direct control of policy. In these cases we enthusiastically support and encourage our customers' environmental management initiatives.

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"Thanks to their fuel efficiency and clean emissions, Serco's new hybrid cars are much kinder to the environment."

West Hollywood Mayor



### A cleaner Hollywood

Serco is helping reduce fuel emissions in the city of West Hollywood by introducing innovative parking enforcement vehicles that run on electricity as well as petrol.

Our new vehicles use a battery-powered electric motor when working in the city's residential and commercial neighbourhoods and, when on the freeway, a small ultra-low emission combustion engine that runs on petrol. During braking and coasting, energy that would have otherwise been wasted is used to recharge the battery. "Thanks to their fuel efficiency and clean emissions, Serco's new hybrid cars are much kinder to the environment," says West Hollywood Mayor.

Serco's new fleet averages 50 miles to the gallon – two and a half times more than the previous parking enforcement fleet. For vehicles that operate 24 hours a day, seven days a week, that represents a significant cost saving on petrol – and is a breath of fresh air for West Hollywood's citizens.

Ultimate responsibility for environmental issues rests with the directors of Serco Group plc, who set policy. Within the Corporate Assurance Group, the Director Health, Safety and Environment is responsible for ensuring policy is implemented and that the Board is kept informed of its effective application. The Assurance Network meets quarterly and coordinates and reviews environmental performance with the aim of improving the effectiveness of our processes.

Each operating company is responsible for developing management systems to meet Group policy and comply with relevant statutory or regulatory requirements relating to their business. A large proportion (57%) of our business has little or no environmental impact and a recent assessment identified that, where we hold primary environmental responsibility, only 12% has a high potential impact.

Quality standards ISO 14001 and ISO 14004 provide a systematic approach to environmental management issues. Currently Serco holds 11 ISO 14001 certificates, the majority covering a number of contracts. All our environmental management systems – whether certified or not – are required to meet the general principles of ISO 14001.

**Working in partnership on environmental issues**

Across 64% of our business we are working on our customers' premises – and we are therefore not in direct control of the environment within which we operate. That is why collaborative working with our customers on environmental issues is important. Serco recognises its responsibility to ensure that any adverse impact on the environment is reduced or, where possible, eliminated by applying the most appropriate management systems at contract level – whether designed by our customers or by ourselves.

We aim to be proactive and we have a range of initiatives such as recycling, redesigning our processes and reducing what we use, which also improves the overall efficiency of the contract. Some 82% of contracts operate a recycling initiative and our objective for 2004 is that all contracts will have a scheme in place.

Where we have control of environmental programmes, we recognise the importance of understanding the views of stakeholders. For example, a report based on an independent public consultation by the Atomic Weapons Establishment was published in March 2003 and is available at [www.pascalea.com](http://www.pascalea.com)



**Clean up New Zealand**

Wherever Serco operates, we maintain a responsible attitude to the environment. That includes managing the environmental impact of our contract activities – and it also means stepping outside our contract to help local communities make a difference to their surroundings.

Employees at Serco New Zealand recently joined tens of thousands of volunteers throughout New Zealand participating in Clean Up New Zealand Week, an annual event to encourage New Zealanders to roll up their sleeves

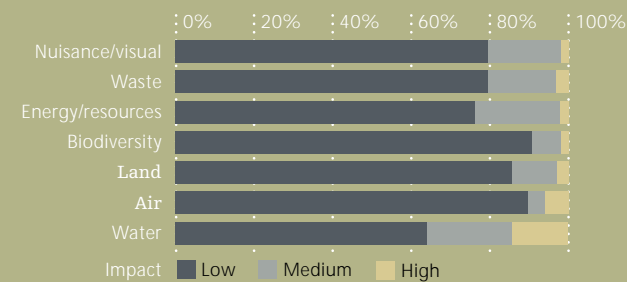
for local conservation projects. Our parks and reserves team in conjunction with the Franklin District identified a roadside site that needed to be cleared of noxious plants and litter. Serco provided people, equipment and vehicles to help the local residents sort recyclable products, and to clean up the site.

"By getting involved in Clean Up New Zealand Week, we've strengthened our profile with Franklin City Council, and we've made a positive difference to a neighbourhood that is home to our customers and our employees," says Trish Fenton, Contract Manager.

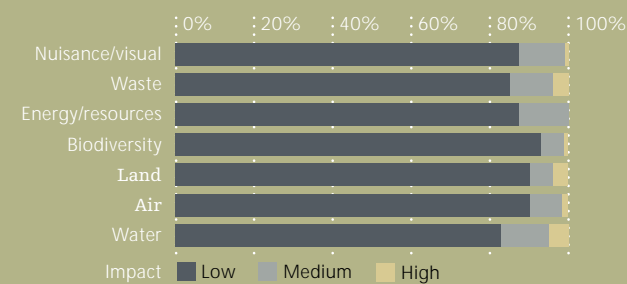


**Sercos environmental impact**

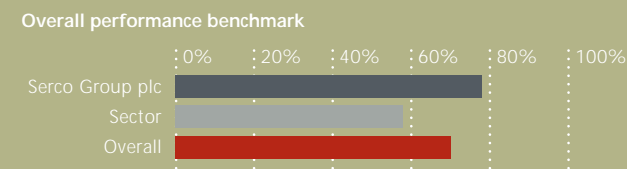
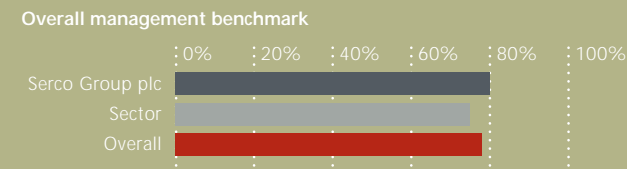
**Contracts with primary environmental responsibility**



**Not in direct environmental control**



**Business in the Environment  
Index of Corporate Environmental Engagement 2002**



**Assessing our environmental impact**

An environmental survey of all our operations in 2003 has helped us to develop our environmental strategy and key objectives for 2004. The survey asked each contract to assess its potential impact from low to high against a number of environmental impact areas. The feedback of the survey confirmed that our business generally has little or no environmental impact. Where we are in control of a facility, high impact scores tended to relate to water – partly due to the number of leisure centres we operate. In these cases, we operate robust recording of water and energy usage across the leisure centres, benchmarking performance internally.

As our contracts grow more complex, we need to understand the associated environmental risks. Since 2000 we have conducted environmental baseline studies in North America during the phase-in and phase-out of all contracts or the opening of new facilities within existing ones. At the end of a contract the environmental condition of the site is assessed and recommendations for improving the site are produced. As part of our wider responsibilities on Private Finance Initiative (PFI) contracts we consider environmental impact within the design stage, as well as monitoring performance during operation.

**Environmental performance**

Given the diversity of the organisation and the relatively low number of contracts (36%) where we have full control and are able to monitor our performance, it is not appropriate to aggregate measurements centrally. Where we have control, an increasing number of contracts have been monitoring environmental performance and retain records. Particular areas include energy and water usage. Once an area is assessed as having the potential for a major environmental impact, we set targets.

In 2003 the combined energy usage across our leisure centres showed a 17% reduction on 2002. The Waring Partnership for Action Energy surveyed environmental management at 12 of our leisure centres in 2003, finding average gas efficiency at 94% and electricity at 63%. The report made a number of recommendations which are now being implemented.

Our improving environmental performance is confirmed externally. For the past few years we have participated in the Business in the Environment (BiE) corporate environmental engagement process, which assesses our management of environmental responsibilities. We were pleased that our average score in the latest BiE Index, as shown in the

graph on page 42, published in March 2003, improved to 76% for 2002 compared with 67% in 2001 and 34% in 2000. This improved our ranking to 78, compared with 103 in 2001.

We are pleased to report that again we have not been subject to any environmental prosecutions or any environmental enforcement action.

Serco actively supports initiatives to improve the environment, whether directly related to our operations or not.

These include a detailed conservation management plan at the Joint Services Command and Staff College in the UK; a medium temperature hot water system that reduces coal consumption by approximately six tons a day at Waiouru in New Zealand; and an extension of our trial of buses with fuel catalysts in Adelaide, Australia. Because each bus saves around A\$127 a month, we are set to see a return on our investment within 12 months – as well as making a positive contribution to the environment.



**On the road to recovery** At the Goose Bay air force base in Labrador, Canada, Serco Environmental Services is undertaking one of the most successful fuel recovery operations of its type in the world and we're committed to sharing our expertise to support similar projects elsewhere.

In 1999, an environmental study identified a large quantity of fuel in the ground at the airbase that was having a serious impact on nearby fish-bearing streams. We were brought in to solve the problem, and developed a unique three-pronged approach. We drilled a number of wells that pump liquid fuel to the surface, we operate a blower that extracts vapour, and we use fuel-eating microbes to remove any components that dissolve into the groundwater.

Our leading-edge approach has removed over 2m litres of fuel from the ground at Goose Bay. We've been able to make the area a safer place for wildlife and re-use the fuel we've collected. "Thanks to this experience, we're now able to share what we've learned in journals and at conferences around the world," says John Lammey, North America's Director, Corporate Assurance. "In 2003 we were proud to accept an environmental award from the Association of Professional Engineers and Geoscientists of Newfoundland and Labrador."

## Environment Awards

2003 Chairman's Recognition Environment Awards

### Team Awards

Robert Kneale and Philip Malkin WSM Bovington Group the Armour Centre, UK

David Short and Andy Cook Multi Activity Contract, RAF Halton, UK

Centre for Optical and Analytical Measurement Team National Physical Laboratory, Teddington, UK

Contract Team Parking Enforcement Services, West Hollywood, USA

Contract Team Melbourne City Council Parks and Gardens, Australia



**Water savers** At our work services management contract covering the Armour Centre's training camps at Bovington and Lulworth, the soldiers of the British Army learn how to save lives and how to save water too.

Serco manages over 400 buildings at the Ministry of Defence's Armour Centre. In 1999, we recommended the appointment of an energy engineer to introduce a programme of water efficiency. We installed over 1,000 waterless urinals, five valves to reduce water pressure and a number of alarmed meters that alert us to incidents of high water consumption. Energy wardens

have been appointed for each building to report on issues of water and utility mismanagement. "Implementing the programme cost £45,000. We're now making savings of £150,000 a year," explains David Wicks, Contract Manager. "It's a win-win situation for the environment and the MOD."

The programme has met with an excellent response from civilian employees and the troops of the barracks, whose awareness of water efficiency has increased considerably. In 2003, the Environment Agency commended our work at the Armour Centre at its Annual Water Efficiency Awards.

**44 The way forward** We are committed to our values. Well established and widely understood, they are the lifeblood of our organisation. Because of them we have won a reputation for responsible conduct and having a public service ethos. They are absolutely aligned with the requirements of being a good corporate citizen. That is why we are confident that by living our values we are fulfilling our corporate responsibilities. The processes that support our values are embedded in the way we manage our business. Our aim is to continue to be an organisation that is trusted as safe and responsible – an organisation that sustains a positive and consistent approach to its people, the communities in which it operates and the environment.

<p><b>H</b>ealth and safety is our highest priority. To this end, in 2004 we will be reviewing our health and safety management systems to achieve greater consistency across the group. We want to better define and maintain the core competencies underpinning our commitment. And we will review our occupational health provision, defining the minimum support to which every Serco employee is entitled.</p>	<p>collaborating with key external bodies such as the Institute of Directors, whose expertise can benefit our employees. We are also committed to close engagement with every one of our wide range of stakeholders. Just one of the steps we will be taking in 2004 is to establish a corporate consultation forum with trade union representatives.</p>	<p>employability, for implementation by our business divisions. We will continue to develop regional networks to coordinate employee involvement in the community. And, with the launch of the Serco Foundation in 2003, we now have an effective mechanism for delivering maximum value to our neighbouring communities.</p>
<p>In 2004 we will be reviewing current processes and developing our people management systems to more consistently capture information about the diversity of our people across the business. We will also continue our focus on leadership development,</p>	<p>We seek to support the communities with which we interact, and those in need, by establishing positive relations, stimulating communication and interaction, encouraging employee involvement and sharing expertise and resources. In 2004 we will complete the development of our community strategy framework, based on the concept of</p>	<p>Meanwhile, we remain committed to the protection of the environment. The environmental impact survey completed in 2004 gives us a basis for an environmental strategy that will bring the business together in support of this commitment. In 2004 we aim to have some form of recycling initiative at every contract.</p>



We have a diverse range of objectives ahead of us – in both the short and long term. What unites them all is that they support our values. Quite simply, Serco will go on living its values .



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