

Bringing service to life



Building Confidence

Key highlights from our corporate responsibility report 2006



This document incorporates the key highlights from our 2006 corporate responsibility report. For more detailed information, see a full version of the report at:

www.se

For Serco, corporate responsibility is about living the values and principles that govern the way we operate and behave



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rco.com



Christopher Hyman – Chief Executive, Serco Group plc



"Focusing on employability is critical to developing the skills of our employees. It is also a very effective way of helping disadvantaged groups and young people to improve their job prospects."

Christopher Hyman, Serco's Chief Executive, discusses the strategy underpinning our corporate responsibility (CR) activities and why 'doing the right thing' will always be fundamental to our culture.

For the last four years, Serco's CR strategy has been based on a theme of employability. Why is this issue so important to the business?

Empowering our people to excel is one of our governing principles and it is by unlocking their full potential that we sustain our competitive edge. Employability was therefore a natural fit when we were looking for a unifying theme to engage our diverse business. Not only is it critical to developing the skills of our own employees, it is also a very effective way of helping disadvantaged groups and young people to improve their job prospects.

Our award winning Skills for You programme is a good example of our success in this area and has produced an inspiring list of success stories. For example, at our marine services contract in England we worked closely with trades unions to get the scheme up and running. Not only did this encourage more staff to get involved, it also strengthened our relationship with the unions. This was invaluable and proved a decisive factor in our successful rebid for the contract.



Christopher Hyman at The Dev Centre, Phinda, South Africa



School children from the Phinda community in South Africa

An interesting example. But how do you know whether Serco's CR spend is delivering results?

Effective measurement systems are essential to managing our CR performance. Measurement provides the hard evidence that supports the internal business case for CR spending. It also enhances the credibility of corporate claims externally. So it is vital that we implement the right measures. This is why we commissioned Business in the Community (BitC) to undertake research on measuring the business impact of CR spending. The research, undertaken along with the Corporate Citizenship Company, looked at the concept and practicalities of social impact measurement, assessing the perceived drivers for measurement and conducting a review of current practice to shape the debate around impact measurement and bring some practical guidance to a wider audience.

"Effective measurement systems are essential to managing our CR performance. This is why we commissioned Business in the Community to undertake research on measuring the business

The theme of this report is ‘building confidence’. What does the term mean to you and can you exemplify how or where Serco is particularly successful at doing so – and where it might improve?

‘Building confidence’ is about us as a company and as individuals developing trust and respect with our stakeholders. But building confidence is also about enabling our people to excel by supporting them in their own development, providing the resources and support they need to be as successful as they want to be, helping each person to achieve their ambitions. This can involve a whole range of activities, from personal learning to going out into communities around the world and helping people.

Let me give just two examples of how we are helping to build people’s confidence. Through the Africa Foundation, we have recently donated two buses. The first bus was fully funded by Serco and the second through personal donations from our Global Management Board. The Advent Crèche, which is part of the Phinda Community in the South African province of KwaZulu-Natal will be the recipient of these buses. The crèche is run by its principal, Thandi Masuku, for the benefit of the growing number of orphans and children at risk in the area, which has been severely hit by the HIV/AIDS pandemic, but walking to and from the crèche exposed the young children to unnecessary dangers. By eliminating these risks and protecting the children’s safety, our buses have given a massive confidence boost to everyone associated with the school and the local community.

We also donated a further £10,000 to the Africa Foundation to fund career guidance courses for schoolchildren. This move was designed to give youngsters a greater sense of confidence in their own abilities, offsetting decades of poorly funded career guidance that is still holding back school leavers in South Africa. During this programme we engaged with over 2,500 children.

Back in the UK, our relationship with Pilotlight is another excellent example of our efforts to give people a greater sense of confidence. Pilotlight is a charity that specialises in transferring business skills to the voluntary sector. Pilotlight matches and manages the skills of mixed teams of senior business people into over 40 ambitious charities. During 2006, nine senior Serco people donated mentoring and consultancy expertise to a range of smaller charities in the process of building their capacity and planning sustainable growth.

These charities work in a wide cross-section of challenging areas, where they support some of the most vulnerable members of society. Among them are adults with disabilities, young offenders grappling with addictions and younger children with mental health problems. One of the most moving projects undertaken by our Pilotlight charities involves helping terminally ill people raise their own self-esteem and spiritual wellbeing by developing a story of their own lives.

As we continue to build confidence among our people, they in turn will build confidence among our stakeholders and the cycle will continue to flourish.

“As we continue to build confidence among our own people, they in turn will build confidence among our stakeholders – and the cycle will continue to flourish.”



Teamwork - building confidence

Highlights of 2006

Our year in pictures

Here, we review the corporate responsibility highlights of 2006 – another year of outstanding achievement in our efforts to support the safety and wellbeing of our people, our communities and the environment we share.



Serco Denholm Portsmouth



Pupils from St Patrick's Roman Catholic School admiring their work

first quarter

- Serco announces its formal commitment to supporting UK-based housing charity Habitat for Humanity for another year. Meanwhile, 39 volunteers supported the charity's construction projects in Sri Lanka during 2006.
- Serco Denholm's successful rebid to support Royal Navy bases in Plymouth, Portsmouth and the Clyde highlights the direct link between our thriving community support programmes and our business growth.
- Serco launches a toolkit to support the expansion of its award-winning Skills for You employee training programme.
- Environmental issues are becoming more important in the Middle East and Serco has been approached by some customers to assist and provide consultancy in implementing Environment Management, Health and Safety, and Quality Management Systems.
- Northern Rail delights Manchester's travelling public when it unveils the winning entry in its competition to design a mural for the city's Victoria Station. Supported by the Serco Foundation, the competition is won by children from St Patrick's Roman Catholic School in Manchester.
- Serco joins forces with Oxfam to enable Serco employees to donate their long service award to communities in developing countries through our partnership with Oxfam's Unwrapped Initiative.



Circus Space performs 'Hotel' at the Chairman's Recognition Awards Dinner



Serco Integrated Transport receiving Gold Award from Lord Brougham & Vaux



Serco campaigners promise the earth

second quarter

- Guests attending the Chairman's Recognition Awards ceremony at the Greenwich Maritime Museum in London, including 59 Awards winners from around the globe, give a standing ovation to the charity Circus Space and the première of its new work, Hotel, devised with Serco's support.
- The Royal Society for the Prevention of Accidents gives contracts from across Serco gold and silver recognition at its annual occupational health and safety awards. Gold Medal winners include Serco Denholm and Serco Assurance. A Gold Award was also given to Serco Integrated Transport.
- In partnership with the UK Government's Learning and Skills Council Serco produces a research and development report; 'Prepare to grow: grow your own'. Among other issues the report considers options for expanding work-based learning and the future direction of our apprenticeship strategy.
- Serco calls on its staff to make a personal pledge to help the environment through the Promise the Earth campaign. By the end of 2006, around 700 Serco Promise the Earth campaigners have collectively saved 6,051,493 litres of water – enough to fill 202 water tankers; six waste skips full of batteries and enough supermarket plastic bags to stretch 20km.

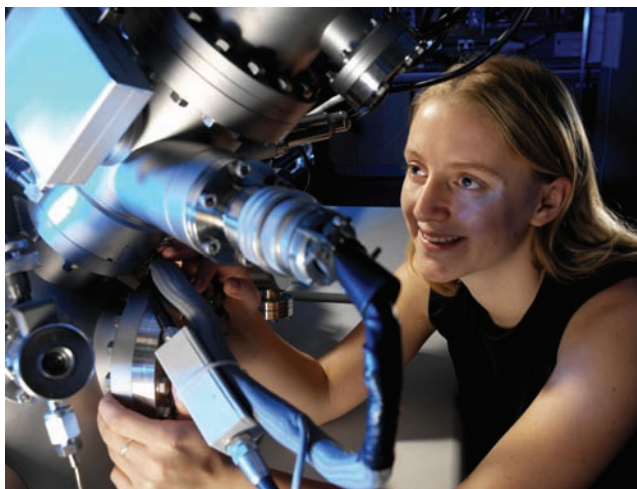
Highlights of 2006



Our business in Australia commits to saving water



HMP Kilmarnock drug addiction team



NPL is working with its suppliers on sustainable development

third quarter

- Serco, working in partnership with the Committee for Economic Development of Australia (CEDA), finalises a draft research paper on how the commercial sector can make water savings.
- HMP Kilmarnock is a finalist at Business in the Community's Awards for Excellence, and Serco's award-winning Skills for You wins re-accreditation with the Big Tick standard.
- During July, Education Bradford held a wellbeing week of activities. 94 people completed questionnaires; 3 members of staff stopped smoking and 70 have signed up to give blood.
- National Physical Laboratory (NPL) began a sustainable procurement pilot with two of its key suppliers, BOC Gases and Fisher Scientific.
- The Serco-run Hassockfield Secure Training Unit completes a comprehensive redevelopment that gives teaching staff the resources to provide young offenders with improved vocational training support.

fourth quarter

- In November 2006, Serco, the Norfolk & Norwich University Hospital (NNUH) Trust and Octagon wln the Partners in Sustainability Award at the annual Premises & Facilities Management Awards.
- At the end of November 2006, Serco is named Britain's most admired support services company for the third year running. The 'Management Today' survey also ranks Serco thirteenth in its overall list of the country's most admired companies.
- Serco is selected as a finalist in the Corporate Responsibility section of the UK National Business Awards.



Serco, NNUH and Octagon are recognised for their achievements



Serco employees get into the spirit of Education Bradford's wellbeing week

- By the end of 2006, Serco is formally committed to evolving its proven corporate responsibility strategy to more fully incorporate the principles of sustainable development. The move acknowledges growing public concerns that the world simply cannot continue to develop in the same way.
- A new ethics video with an enhanced focus on key topics is completed and will be used in the training and induction of our staff in North America.



Two examples of vocational training – hairdressing at Hassockfield Secure Training Centre...



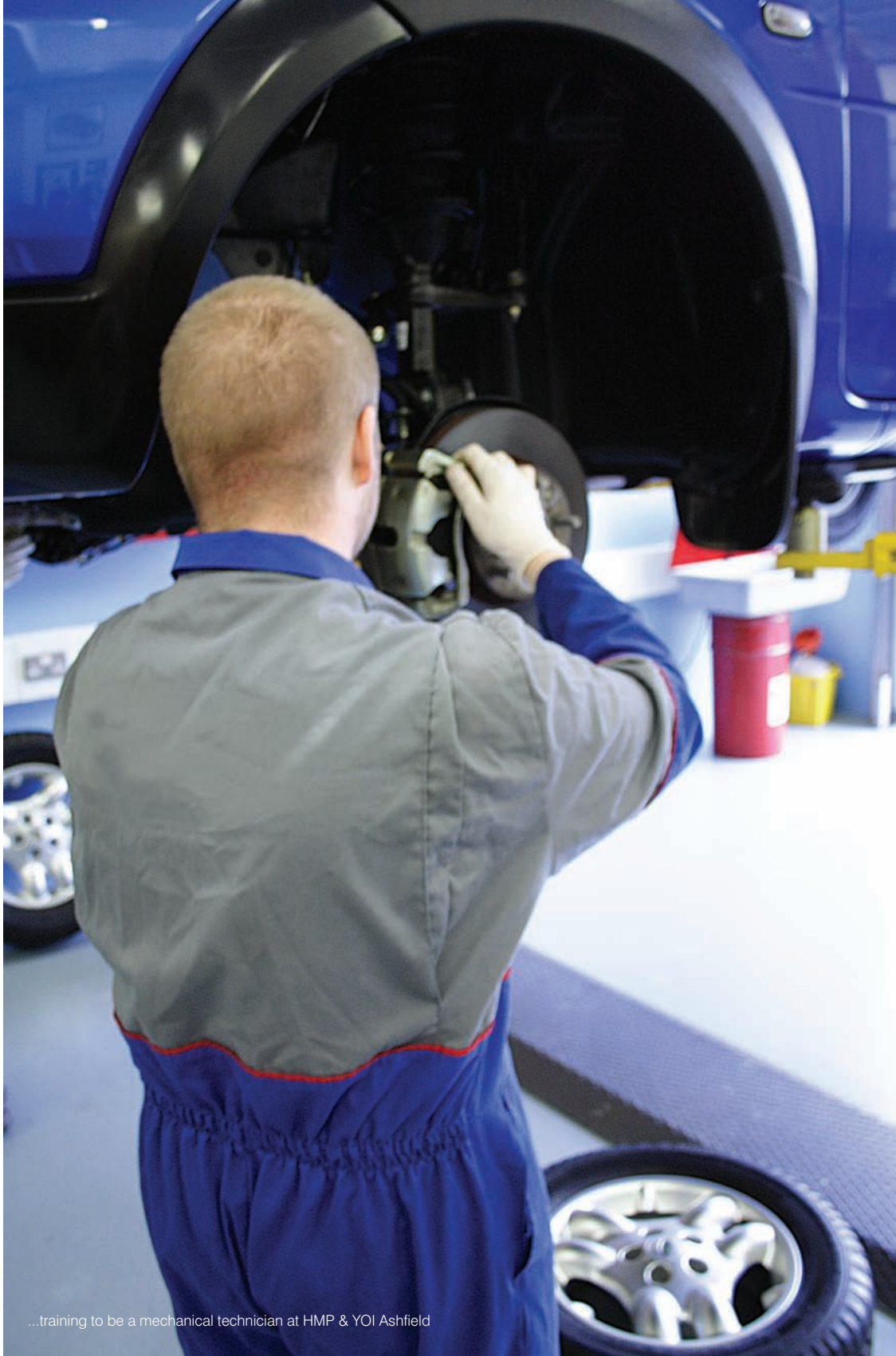
"Why is employability so important to Serco, and what are we doing to give people the skills and confidence they need to excel – inside and outside work?"

The concept of employability is not new to Serco. In 2003, we formally stated that enabling people to excel at work lies at the heart of what we can offer as a business.

We then set about implementing a programme of initiatives aimed at three key groups: our own employees, members of disadvantaged communities seeking job opportunities and youngsters preparing for the world of work. Four years on, these programmes continue to exceed their objectives.

Our teams working with offenders in the UK and Australia, for example, excel at equipping marginalised people to build productive lives outside the criminal justice system. At Acacia prison near Perth we have implemented new Aboriginal education and training initiatives. Following an extensive refurbishment completed in 2006, the Serco-run Hassockfield Secure Training Unit is now equipped to give its young offenders the same quality of vocational training enjoyed by their peers outside the criminal justice system. With improved resources at their disposal, our teaching team at the unit has recently introduced the Government's Vocational Pathways Programme.

Designed for mainstream schools, it is unusual to find young offenders in custody following this programme. It offers them the chance to develop specialist skills in a choice of disciplines – from hairdressing and beauty to art and design, from catering and construction to IT and leisure studies.



Serco staff at HMP & YOI Ashfield in south-west England are equally dedicated to giving young offenders the qualifications, confidence and social awareness to build successful lives. The facility runs a comprehensive range of training programmes specifically designed to develop vocational skills. In November 2005, for example, The Princess Royal, formally opened Ashfield's mechanics workshop, where young people can prepare for a career as a mechanical technician with support from the Ford Motor Company.

Volunteering to excel

Our global employee volunteering project with Habitat for Humanity, as featured in our 2005 CR Report, not only provides our employees with an opportunity to give something back to a disadvantaged community by sharing expertise and knowledge, it also enables them to develop skills they would not normally develop in their workplace environment.

Such is the importance that we place on working with voluntary organisations to develop our people's skills that we are weighing the benefits of incorporating it into our leadership development model.



Volunteering with Habitat for Humanity GB in Sri Lanka

Case study



Jack Gray (right) and his mentor, Rodney Kidd

Strictly personal

We take a personal approach to giving colleagues the confidence to excel at work, as exemplified by the bond between Jack Gray (right) and his mentor, Rodney Kidd.

Jack and Rodney are members of our Maintenance Team at the Norfolk and Norwich University Hospital. Jack has Asperger's syndrome, a form of autism that makes it difficult for him to form social relationships.

With Rodney's encouragement, however, he has developed into a confident and valued team member. In a letter to her local Asperger's Society, Jack's mother, Verena, praised Rodney as a 'local hero' for the care he has shown to her son.

A national perspective

Firmly embedded in Serco's culture, the issue of employability has been steadily rising up the national agenda and aligns directly with the UK Government's declared commitment to the principles of sustainable development. Business in the Community (BitC) is a UK-based organisation dedicated to challenging and supporting businesses to have a positive impact on society. In the view of its Community Impact Director, Graham Russell, the time has come for all businesses to embrace the principles of employability. Says Graham: "Businesses need people to succeed and people need jobs to succeed. Employability is the agenda that companies need to consider in order to properly engage people who are currently outside the labour market, and provide them with the skills and role models to become economically included."

"To succeed, it is essential that employability initiatives are woven into the heart and soul of an organisation."

For Graham, the importance of employability is so critical that businesses must take care to ensure that any programmes or interventions they implement are of the highest possible quality. "Good intentions and enthusiasm are simply not enough," he emphasises. "It is essential that employability initiatives are not confined to a corner of the HR office or public affairs department. To deliver results, they must be woven into the heart and soul of an organisation as an integral part of its overall strategy and vision. Initiatives must be planned and managed with the same professionalism and rigour that successful organisations apply to other areas of their business. From the start, a business must be absolutely clear about what it wants its employability strategy to achieve, because it is possible to achieve some real business benefits. They include recruiting talented people, gaining a positive reputation and motivating current employees to get involved."

As Graham comments, getting it right can have an extraordinarily positive impact on all those involved in an employability programme. Getting it wrong means that businesses can end up raising people's expectations then failing to deliver, which can be hugely damaging.

"This applies whether you are attempting to reach school children or your own employees. It applies even more when

you are dealing with adults who want to re-enter the job market after what can often be very trying times.

"This is when you often find yourself confronting a complex mix of causes and symptoms, from homelessness to addiction, from mental health problems to childhood traumas. The best results usually come from businesses that combine a good heart with a clear business vision."

As Graham notes, it is important that private sector businesses are open to creating partnerships with voluntary sector organisations to drive the employability agenda forward. The strengthening relationship between Serco and the UK-based charity Rainer exemplifies what can be achieved when the right business comes together with the right charity.

Rainer works with under-supported youngsters, including those in care or the criminal justice system. As part of its mission, the charity aims to provide disadvantaged youngsters with the education and training they need to make a valuable contribution to society. Last year, the charity formed a pioneering alliance with Serco and a second charity, Turning Point, to develop a range of services to support both youth and adult offenders.

Chris Wright is Rainer's Director of Services. In his opinion: "There is a lingering perception among charities like ours that working with big business means sacrificing our principles. Not true. Of course, a business like Serco needs to turn a profit. But Serco will only make a profit if it delivers a quality service. The fact is that Serco's people are as passionate and professional about their work as we are."

Case studies

White on

A team of trainers at the Serco-run Defence Academy of the United Kingdom joined staff at Shrivenham Primary School to tackle various IT obstacles hampering efforts to teach children. As a result of Serco's support, almost every classroom now has an interactive whiteboard – and pupils are reaping the rewards.

Says head teacher Sue Currie: "I have seldom known a company to work like this and the local response has been unbelievable."

"This project has benefited the local school, including its children, staff and the wider community. If you ask the children what they want to do when they grow up, most will now say: "Work for Serco".

Wherever the children choose to work after school, Serco's support has already enhanced their long-term



Children at Shrivenham Primary School reap the rewards of Serco's support



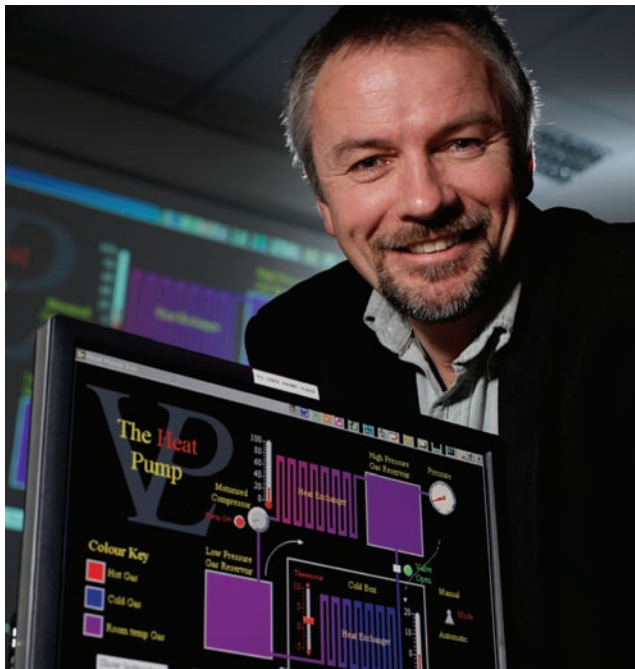
Richard Fradley – now a full-time Serco employee

A turn for the better

Richard Fradley left school with no qualifications and few job prospects. But joining Serco on work experience with our Woking Council contract marked a turning point in his life. With the support of his workmates and the Trident Trust charity, he developed into a model employee and is now preparing to take on the highly responsible role of playground inspector. "Teaming Richard with the right mentor, Kevin Carrigy, played a major role in this success story," says our contract manager, Kevin Morgan. As Richard looks forward to a positive future, Woking has now welcomed a second youngster on work experience.

Bringing physics to life

Dr John Nunn, a Serco scientist at the National Physical Laboratory (NPL) began developing his revolutionary Virtual Physical Laboratory (VPLab) while teaching in Ooty, South India. Here, he became convinced that PC-based interactive simulations were a most effective way to teach children the principles of physics. Upon returning to the NPL, John continued to refine and expand the simulations on his VPLab. Thanks to his commitment and ingenuity, hundreds of school children in the UK and abroad are gaining new scientific skills and qualifications that will help them to take advantage of a wider range of career opportunities.



Dr John Nunn has revolutionised the teaching of physics

Modern apprentices excel at Yeovilton

In 2001, Serco Defence & Aerospace's contract at RNAS Yeovilton in the UK set up a dedicated Training Unit to address the growing skills shortage in its local area. In line with its commitment to improving the job prospects of local youngsters, the unit established an in-house modern apprenticeship scheme in aircraft engineering that welcomed its first intake in 2002.

The results have been outstanding.

July 2006 saw the first apprentices graduating from the scheme, which achieved a retention score of 92% against a national average of 46%. Nine youngsters have been placed with Serco as full-time employees, one has joined the Royal Navy as an air engineering technician and another is being sponsored by Serco to take a degree in Aerospace Engineering at Southampton University.



"Not only has the apprenticeship scheme helped our contract to secure a reliable pipeline of talent, it is also giving local youngsters a flying start in life."



Hui Siu Hung (second from the left) has won the respect of his colleagues along with the gratitude of patients



"The deep public ethos that is so firmly embedded into the way we manage our responsibilities consistently takes us well beyond our contractual obligations."

Hui Siu Hung's success story exemplifies Serco's talent for combining our business activities with a deep sense of commitment to our local communities.

For the last four years, Hui has been a member of the Serco team that delivers domestic and transport services at Hong Kong's North District Hospital. It just so happens that Hui is also recovering from mental illness. But thanks to his exemplary attitude and attendance record, he recently won the Hong Kong Labour Department's Outstanding Disabled Employee Award. He has also won the respect of his colleagues along with the gratitude of patients and their families.

Hui first came to Serco through our support for the Mental Health Association of Hong Kong's (MHAHK) employment programme. Under this programme, 46 MHAHK members have undergone training with Serco and eight members are currently Serco employees.

Commenting on Hui's achievements, supervisor, Maggie Ma, says: "We hope his example will inspire more businesses to support diversity in the workplace. Hui's performance proves that disabled people have the capability to work – and work with enthusiasm."



1st

the position we still hold in 'Management Today's' list of Britain's most admired service companies

64th

our improved position in the 2006 Business in the Community Corporate Responsibility Index

91%

the percentage of respondents of Serco's two pilot employee surveys, involving 10,000 people, who say they take pride in their work – well above the UK national average

We believe that broadening our corporate responsibility strategy to embrace the principles of sustainable development will help to maximise the value created by our business activities – financially, socially and environmentally.

Review

A series of important contract wins demonstrated the direct link between our business performance and the way we manage our community relationships.

We completed an internal review and consolidated our UK occupational health function under the direct management of Serco Health.

'Doing The Right Thing' workshop was developed and implemented to instil greater board rigor, reputation management and business ethics.

We shared our governance expertise with students at the UK's National School of Government providing a case study on future governance requirements for its Top Management Programme.



Simon Fishlock, a Serco employee, relaxing with his family in Melbourne Park where he works

Case studies



Circus Space portrays one of Serco's core values – trust

Our commitment to employability is integral to the way we manage our business, and we sometimes express this commitment in surprising yet inspiring ways.

Last year, for example, we commissioned the London-based charity Circus Space to devise a performance for our Chairman's Recognition Awards ceremony, which was held in May 2006 at the National Maritime Museum in Greenwich.

With Serco's support, Circus Space assembled eight performers and a backstage team comprising director, designer, a stage manager and assistant. Together, they devised and produced a piece of original circus theatre from scratch to portray Serco's governing principles, in just two weeks. Entitled 'Hotel', the work's première drew a standing ovation from guests at the awards ceremony. The collaboration also gave Circus Space's assistant stage manager, Ian Andlaw, his first professional break in show business.

"More Than Making Money' will help businesses answer one very valid question: so what difference does your



For more information go to www.bitc.org.uk/measurement

It is essential that we develop reliable and accurate ways to measure what benefits our CR spending actually produces. This is why we commissioned Business in the Community to undertake research on measuring the business impact of CR spending.

The research, undertaken along with the Corporate Citizenship Company, formed the basis of 'More Than Making Money', a milestone publication that provides the wider business community with a set of tools to improve the way it measures the difference it makes to society.

Producing the guide drew together a number of other private sector partners, among them BT, Diageo, John Lewis Partnership, KPMG, RWEpower, Severn Trent and Vodafone.



Al Stuart and members of his team planning Exercise Wide Vigilance



"Exercise Wide Vigilance won national recognition when the Task Force was awarded the International Emergency Management Association's second Annual Interagency Disaster Preparedness Award."

As community-minded professionals, many from military backgrounds, Serco's disaster preparedness experts are acutely aware of the public anxieties rooted in memories of the 9/11 atrocities. In Pennsylvania, Delaware, Virginia and Washington DC, among other states, they are leading efforts to build public confidence in the authorities' ability to handle similar catastrophes, man-made or otherwise.

"Easier said than done," says Al Stuart, Serco's Director of National Preparedness Programs. "Especially in commonwealth states such as Pennsylvania, where responsibilities are fragmented across so many counties, government departments, public agencies and emergency services."

In October 2006, Al and his colleagues lead Exercise Wide Vigilance: the biggest emergency exercise ever held by the South Central Pennsylvania Regional Counter-Terrorism Task Force.

Exercise Wide Vigilance gave a timely boost to public confidence by demonstrating that it is possible to co-ordinate emergency response teams on a regional basis. The exercise brought together 17 hospitals, three military installations and numerous emergency response teams from eight counties. A notable highlight of the initiative was the level of awareness-raising media coverage it attracted, the result of some well targeted, high-impact publicity.



EUROPEAN WEEK OCTOBER 2006

SAFE START!



Serco Leisure staff threw their collective weight behind the 2006 European Week for Safety and Health at Work campaign. Its slogan, 'Safe Start', resonated strongly in a business where around 924 (34%) of staff are aged 24 or younger.

Review

The Royal Society for the Prevention of Accidents highly commended Serco Docklands Limited in the Transport, Storage and Distribution Section Award. Across our UK operations they also awarded us three Gold Medals, eight Gold and two Silver Awards.

We identified fatigue management as a factor in recent incidents within our rail operations and we committed to identifying the precursors resulting in the development of tools to monitor and address this issue.

Our aviation specialists developed a safety self-assessment tool to establish how effective our aviation safety management systems were in reducing safety risks. This was piloted in Bermuda and the Middle East.

Serco Defence, Science & Technology applied to the Civil Aviation Authority to become a provider of air navigation services under the Single European Sky Initiative from the European Commission. According to the CAA Serco's 200-page document was the best application it had received.

7%

improvement in the reported incident rate

73%

the reduction in anti-social behaviour achieved by Northern Rail in targeted hot spots

56%

reduction in musculoskeletal disorder injury costs at our two MTESC sites in Pittsburg and Detroit

Case studies

Just 300 staff at our Mail Transportation Equipment Service Center (MTESC) contracts in Detroit and Pittsburgh accounted for over 30% of our US workers' compensation claims.

We responded decisively to a serious problem. Among other measures, we ran a series of health awareness events with guidance on areas such as heavy-lifting techniques. The result: a 56% reduction in musculoskeletal disorder injury claims and a great improvement in people's wellbeing inside and outside work.



Working in the MTESC mail room in Detroit



Steve Gorman – recognised in the 2006
Chairman's Recognition Awards for Safety

"Could this end train delays caused

Leaves on the line in autumn is one of the rail industry's most challenging conditions and poses as serious a hazard as that created by ice. Teaching train drivers to cope with slippery under-rail conditions used to involve hiring equipment that was expensive and awkward to handle.

Now Steve Gorman, an electrician on the Serco-operated Northern rail network, has designed a light, portable, leak-proof training aid that is ten times cheaper than the original and far more efficient. Thanks to Steve's initiative, Northern passengers are set to benefit from even higher standards of safety and reliability.



Mark Povey (centre) a first-time adult learner and colleagues at Airbus UK



"Our award-winning Skills for You programme continues to have a transforming impact on the lives of hundreds of Serco people, helping them to excel inside and outside work."

Serco launched Skills for You in 2004 in line with UK Government efforts to improve basic levels of adult literacy and numeracy. The programme also supported Serco's efforts to build people's skills and confidence inside and outside working hours. Its success has been dramatic.

A first-time adult learner Mark Povey, a Fluid Engineer at our Airbus contract near Bristol in the UK, took the opportunity to improve his reading and writing skills by joining one of our Skills for You training programmes. Not only did the experience enhance his performance at work, it also gave him the confidence to help his children with their reading. This breakthrough marked a milestone in his development as a person, feeling more confident and motivated.

Mark is not the only Serco person to benefit from the Skills for You effect. Since January 2006, 422 learners had either completed a Skills for You training course or are still on the programme. The number of learners taking part in Skills for You training has leapt by 97% since 2005.

Behind these statistics lie many inspiring success stories – like Mark's.





Our pioneering bicycle leasing scheme encourages our staff to improve their personal fitness levels while benefiting the environment by cutting car use to and from our offices.

Review

We continued to develop our people around the core themes of great leadership, exceptional talent, excited and engaged employees and high performance business.

We reviewed our approach to the issue of diversity and devised a strategic framework to improve the way we manage it. We also held a series of workshops to raise diversity awareness across our business.

Our efforts to eliminate inequality at work won national recognition when Serco Science was named among eight exemplar companies at the launch of the Women in Work Commission in March 2006.

92% of first-batch trainees completed RNAS Yeovilton's modern aircraft engineering apprenticeship scheme, compared to a UK average of just 46%.

In July, 50 Serco employees and their children visited our business at the European Space Agency near Amsterdam in The Netherlands and a similar number experienced our business operations at Serco Denholm in Portsmouth, UK, as part of the 'Our Kids ARE Special' programme.

42%

of those who have completed the Serco Leadership Programme now work in senior roles

54

individuals and teams receive a Chairman's Recognition Award

33%

the minimum number of our UK managers and staff who have taken part in our diversity awareness programme

Case studies



Shaping model leaders

We have developed a new leadership model to help us identify and develop the people who will drive our business forward.

During the design of the model, we devised a common language to describe the traits of a Serco leader. It is based on three areas: The Heart, The Head and The Hands: The Heart is at the centre of an individual's values and motives and embodies Serco's governing principles, further embedding them into our culture. The Head refers to an individual's intellectual capacity, the ability to think creatively, strategically and conceptually. The Hands are the skills, knowledge and experience that an individual already possesses and which can be further developed inside Serco.



High flyers

Nayef Mansouri and Fahed Almarzouqi, two trainee engineers on our contract at Abu Dhabi International Airport, achieved exam results that placed them in the top 25 among more than 2,000 engineering students from across the United Arab Emirates.

On top of their study commitment, both high-achievers held down demanding full-time jobs, helping to manage, operate and maintain aeronautical services at Abu Dhabi International, one of the busiest

"Their achievements are testament to the calibre of people that we attract and develop."



Dr Martin Rides, Principal Research Scientist at NPL, and his children taking part in the annual Water Rocket Challenge



“The nature of our business activities places us at the very heart of the communities that we serve in profound and sometimes very unexpected ways.”

The National Physical Laboratory's (NPL) annual water rocket challenge exemplifies the dedication and ingenuity that Serco people bring to engaging the communities around them.

Launched in 2002, the event – organised by a team of NPL volunteers – regularly attracts over 50 teams from around the world. As well as raising thousands of pounds for charity, the challenge gives aspiring scientists the chance to research, build and test their inventions against friends and families and other schools.

There is also a strong educational element to the event as competitors master Newton's laws of physics in pursuit of prizes for the longest stay in the air, the best rigid wing rocket, the best launch mechanism, the best engineering and the best crowd-pleasing effort.

The fun is not confined to youngsters. In recent years, the water rocket challenge has been taken up by teams from the Meteorological Office and the RAF, while other teams have come from as far away as America, France, Germany, Sweden and Switzerland. At a time when it is becoming increasingly difficult to recruit new scientists, the water rocket challenge is helping to convince a new generation of youngsters that science really can be fun.



£942,340

the amount we re-invested back into communities worldwide translating into 0.98% of pre-tax profit (the profit figure used in this calculation excludes the gain on sale of PFI investments in 2006)

1.5m

the number of US servicemen and women whose transition has been smoothed by our award-winning Army Careers and Alumni Programme

2,000

the number of children taking part in events led by the NPL's 30 Science Ambassadors during 2006 - several hundred adults, including around 250 teachers, also took part



Photograph courtesy of Adele Lisa Bates

With Serco as principal sponsor, the 2006 Hook Summer Festival proved a memorable success with the local community, attracting over 2,500 primary school children and a high turnout of other visitors. The two-day festival's centrepiece was the Green Roadshow – a unique interactive attraction that teaches primary school children about environmental issues.

Review

Our community ethics played a direct part in winning three major pieces of business: the Docklands Light Railway, Serco Denholm's marine support contract and the management of Acacia Prison.

Serco sponsored a fundraising dinner that raised £318,000 in cash and pledges towards Habitat for Humanity's HopeBuilders programme.

A community section on our intranet system was created providing information on company activities, employee volunteering, strategy and fundraising.

Sharing ideas and information across our business continues to be a focus of importance and we now have nine UK regional networks of CR Champions in operation. These representatives met in May at the fourth annual CR workshop, also involving other champions from Europe, Australia, Hong Kong and North America.

The Serco Foundation continued to support the Duke of Edinburgh's Award with a £10,000 bursary enabling a further 97 disadvantaged young people to take part in activities.

Northern Rail continued with its programme of engagement with young people by publishing a children's code of conduct and launched a community-based football programme.

Case studies



Unlocking community spirit

In Western Australia (WA), the Indigenous community makes up just 3% of the total population, but it accounts for over 30% of the state's prison population. When Serco took over the Acacia Prison outside Perth, it took decisive steps to address this imbalance by drawing up a strategy specifically designed to address the complex problems facing WA's Indigenous people. As part of this strategy, it has set up an Indigenous Advisory Board to ensure that key elders and Indigenous organisations can continue their work with the prison's senior management team. We are implementing new educational courses in literacy, Noongar language, art and design and music.

Serco's relationship with WA's key elders and Indigenous organisations remains a vital part of our efforts to give Indigenous prisoners a better chance of succeeding in the wider community.

Right on track

Reaching out to communities that feel marginalised is a feature of the way we do business worldwide. In east London, for example, the Serco-operated Docklands Light Railways (DLR) carried out research that revealed many local families felt socially excluded from its network. DLR responded by launching the '**your**railway' campaign, providing people with information on places to visit along with discounts for those travelling to community and advice centres. '**your**railway' has had a direct impact on raising the number of passengers using the DLR by over 5% while helping to reduce people's sense of social isolation.



Serco employed local people to communicate in English, Bengali and Somali



Charles Pinnuck, an employee of Serco in Melbourne Park working on maintaining the environment and (right) enjoying the results with his family



"We recently made another crucial contribution to Australia's water debate with the publication of our milestone report into how the country's commercial sector can improve its conservation record."

Water – or the lack of it – is a matter of serious public concern in Australia and we are on the frontline of efforts to conserve this increasingly scarce natural resource.

In Melbourne, Serco Open Space Facilities Management Services has held a contract with the city authorities for the last 12 years. Drought conditions have prevailed in the city since 2003 and rainfall has been below average since 1996. Our remit involves maintaining 300ha of Melbourne's renowned open parklands and sports fields. When water levels in the local storage dams recently fell below 40%, we activated the third and final stage of our water restrictions and management plan. Among other conservation measures, this involved adapting 20kms of irrigation system into sub-surface dripper lines to water the trees in Melbourne's parks, reserves and boulevards. Combined with a ban on watering all grassed areas, this has helped to cut water use by 60%. Another important weapon in Melbourne's conservation drive has been the 6ha Trin Warren Tam-boore wetland in the city's Royal Park. Under the care of our environmental specialists, it has proved an indispensable source of reclaimed water.





Our Civil Government division has been working closely with their customers during 2006 to develop an energy strategy which includes the potential use of wind turbines and solar power. To support this they have appointed an Energy Champion within each contract.

Review

We published our sustainable and ethical procurement policy, which is set to become a key element in our sustainable development strategy.

We invited specialists from UKCIP to carry out an investigation on how climate change is likely to impact on our business.

Serco-owned Great Southern Railways in Australia successfully carried out a pilot scheme to refurbish power vans with new fuel-efficient, environmentally sound generator sets, significantly reducing noise levels and gas emissions.

Serco Integrated Services (SIS) took an important step towards addressing the issue of climate change when it unveiled its carbon neutral strategy.

We upgraded our ASSURE™ management database to gather, analyse and record environmental data in line with our environmental Key Performance Indicators (KPIs).

340,000 non-biodegradable plastic cups are no longer thrown away now that our staff in the Middle East have switched to non-disposable mugs.

512%

increase in the amount of water re-used at Ulm, Germany, from 14,700m³ reported in 2005 to 90,000m³ reported in 2006, making a positive impact on the environment and generating cost savings

700

the number of Serco Promise the Earth campaigners who committed to saving over 64,707kg of CO₂, 4,113,489 litres of water, 2650 batteries and 25,325 plastic bags

50%

the cut in CO₂ emissions achieved by Serco Local Government's Winchester contract after it switched its vehicle fleet to bio-diesel

Case studies



Meet the champions

Last year, Serco Leisure launched an intensive awareness-raising campaign to change employee attitudes and behaviour towards utility use. The campaign was launched at a time when the business was also facing spiralling energy costs. In response, Serco Leisure managers threw down the gauntlet to staff by calling for a 5% reduction in utility consumption across all its sites. Among various utility saving measures, sites fitted water-saving devices to toilets, turned down thermostats, implemented lighting controls, covered swimming pools, harvested rainwater and installed energy-efficient boilers.

Lead by a team of dedicated Utility Champions, Serco Leisure staff achieved outstanding reductions, saving 5,194MWh of energy and 2,305 tonnes of CO₂ between them. They also beat their 5% cost-cutting target in dramatic style with a 19.8% reduction in utility bills during 2006, a cut worth £750,000 against 2005 costs.

Doncaster prisoners and staff go green

Staff and inmates at HMP & YOI Doncaster share a respect for the natural world.

In recent years, the prison has built a strong reputation for its efforts to preserve and improve the local environment. This year, staff joined prisoners on temporary release to clean up the River Don as it passes through the Yorkshire village of Penistone. Following its early success, the clean-up is set to run throughout 2007 alongside a growing list of other environmental initiatives.

Meanwhile, staff are fielding numerous enquires from hawk fanciers around Europe. This somewhat surprising development comes after the prison started breeding its own hawks to scare off the prison's 1,000-plus pigeon population, which was becoming a health and environmental hazard.



Targets and objectives

Progress against 2006 targets and objectives

Key

Achieved 

Failed 

On target 

On going 

New 

Targets	Comments	Status	Timeline
Health and Safety			
Achieve 5% reduction in the reportable accident rate per 100,000 employees	Serco achieved 7% reduction in the reportable accident rate		Dec 06
Incorporate risk assessment and management processes on ASSURE™	ASSURE™ developed and piloted		June 06
Develop and implement a self-assessment tool, initially for aviation safety	System successfully piloted in Bermuda and the Middle East and is currently being rolled out across the remaining aviation business		Sept 06
People			
Set up a network of diversity champions across the business	Following a review we are now exploring alternative ways to engage with our businesses		Dec 07
Carry out an employee engagement survey	Pilot surveys completed		June 06
Find 10% of employees alternative roles within Serco through redeployment centre	34% of all people who sought redeployment have achieved it; 11% of staff whose roles were made redundant have been redeployed within Serco		Dec 06
Community			
Review and revise stakeholder engagement strategy	Stakeholder engagement takes place at a local level as well as through our publications and website – it is an area that remains under review		Sept 07
Develop a Serco family initiative	Two 'Our Kids ARE Special' events were held at our contracts at the European Space Agency in The Netherlands and Serco Denholm in Portsmouth UK		Dec 06
Internal volunteering and community investment survey	A survey was distributed to our businesses to assess the status of employee volunteering and awareness of community investment reporting		Mar 06
Environment			
Develop a toolkit to help establish a consistent method of determining the sustainability of procurement decisions	Sustainable procurement policy developed and approved at Board level – toolkit development progressing at strategic sourcing level		Sept 07
Improve accuracy of environmental performance data to enable targets to be set	KPIs meeting DEFRA guidelines now set and data is being captured		Dec 06
Develop toolkit for surveying opportunities for reducing resource use at source	Envirowise providing advice at divisional and contract level		June 07

Targets and objectives

New targets and objectives for 2007

This represents a small selection of our targets and objectives. For the complete list, see our full corporate responsibility report at www.serco.com

Targets	Comments	Status	Timeline
Health and Safety			
Improve the capture of the data entered onto ASSURE™	Working with divisions to ensure the data reported is timely and accurate; and working with the Chief Information Officer to ensure speed of connectivity is improved at local level		Dec 07
Improve the quality of management information derived from ASSURE™	Identifying additional measures relating to key areas such as occupational health		Oct 07
Develop best practice to improve on lost time causes	Analyse data to identify reasons for lost time causes and researching and publishing best practice to improve these areas		Oct 07
People			
Roll out an employee engagement survey to remaining divisions	Analyse results to gauge level of employee engagement across the divisions		Dec 08
Implement a development programme for top talent	Identify top talent; design and develop personal development plans		Dec 07
Establish and pilot a coaching programme that will develop leaders as coaches	Identify preferred supplier and implement pilot programme		Dec 07
Community			
Community investment is accurately recorded and reported through ASSURE™	To work with the divisions to implement ASSURE™ upgrade that includes community investment information		Dec 07
Details on CR actions undertaken are consistently captured	To agree and implement with divisions action plans to ensure key and relevant data is captured		Dec 07
Review CR strategy	Review and agree CR strategy with Senior Executive Team and divisions		Sept 07
Environment			
Provide divisional environmental aspects and impacts assessments on ASSURE™	This will provide an up-to-date status of environmental issues across the business		Dec 07
Support business in identifying greenhouse gas emissions and resource reduction plans	Develop with the Carbon Trust a corporate strategy to reduce our carbon footprint		Dec 07
Audit environmental reporting systems and process effectiveness	Assessment of the degree to which environmental reporting is implemented and operated in the business		Mar 08

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