Bringing service to life

serco

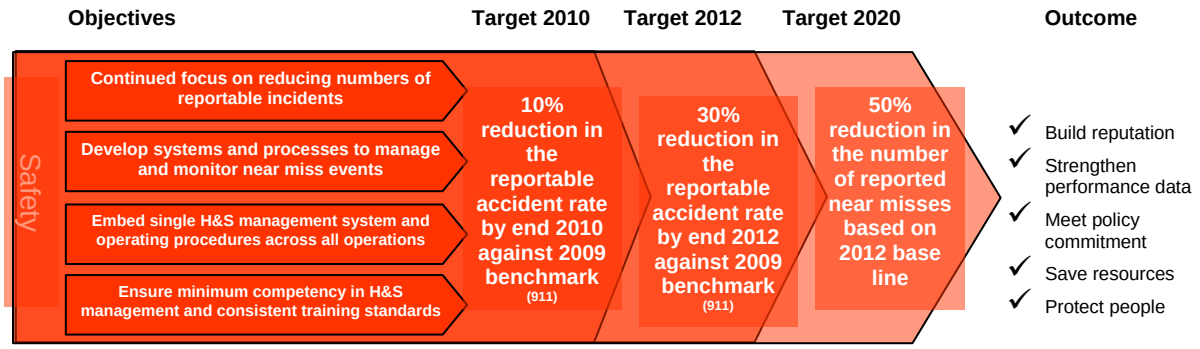
2010 to 2020 Health, Safety & Environment Strategy – Zero Harm

The specialised beak of the Kingfisher, which allows it to move from air to water with minimal noise or splash, provided engineers with a design solution for the 200 mile an hour bullet train, enabling it to be quieter and more energy efficient.

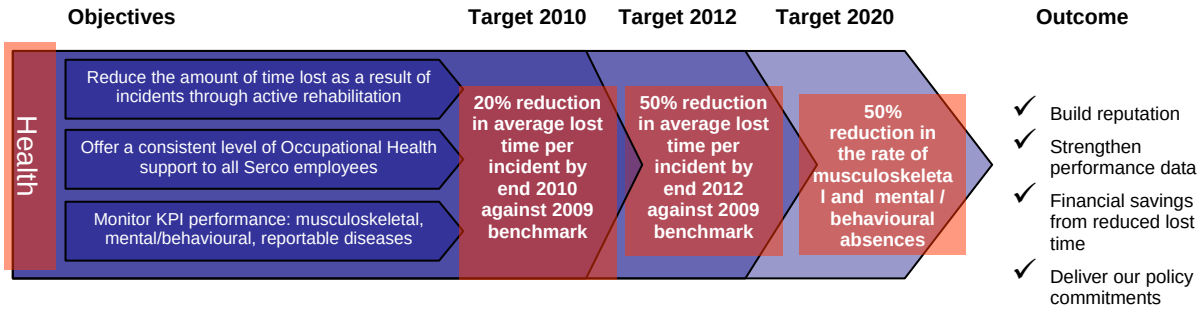
Executive Summary

The Goal is **Zero Harm** - Our work is never so urgent or important that we cannot take time to do it safely and with respect for the environment. This document sets out Serco Group's strategy, for health, safety & environment over the next 10 years with specific interim objectives targets set for 2012. The key objectives and targets committed to in this strategy are detailed below:

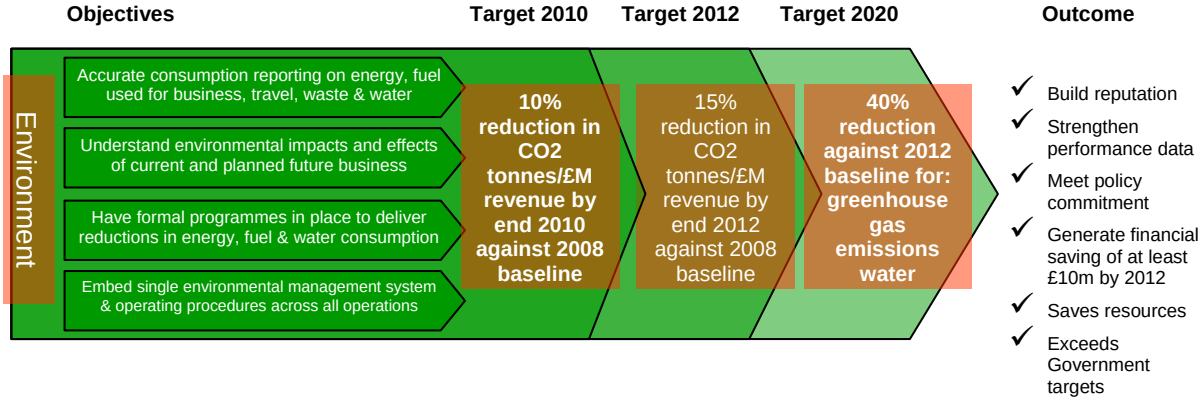
Safety Objectives and Targets



Health Objectives and Targets



Environment Objectives and Targets



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1 Introduction

We work in many different markets and provide a wide range of services which affect the lives of many people as well as the natural environment. Wherever we work, we aim to protect people, seek to keep our use of global resources to a minimum and reduce our waste.

In order to deliver our goal of Zero Harm we have our Health, Safety and Environment policy which sets out a number of commitments to how we will manage our operations. These policy commitments apply across Serco and are underpinned by a single Serco Management System. This strategy paper sets out how we intend to build on this across all Serco's operations and sets clear objectives and targets.

2 A changing environment

The world is changing and there are different drivers influencing what we need to do. A number of these environmental factors will impact our strategy for health, safety and the environment. These include the following:

Working practices

Working conditions continue to evolve with improvements in productivity, changes in technology, work organisation and training. More employees will work from home or hold multiple jobs. Work relationships will become more varied, complex and fragmented. Some tasks will be outsourced to remote locations, geographically removed from the main business operations. This changes the dynamics of the safety and health hazards that we face and the risk profile that needs to be managed.

Society has become risk averse. Health and safety has become a reason not to do or restrict many activities. We need to be sensible in our approach. This recognises that in business we are in danger of having a wholly disproportionate attitude to the risks we should expect to run as a normal part of life. We need to be clear about the health, safety and environmental hazards and impacts of our current and future business. Our attention must be on the issues that cause real harm to people, the environment, business and the economy.

Climate change

We must understand our environmental impacts and manage them and measure our performance to demonstrate improvement. We must also consider climate 'proofing' our organisation. This reflects a move from the impact of business on the environment to how changes in the environment will affect how a business operates.

Fuel poverty will significantly impact energy prices. Increases in energy costs are conservatively estimated at 10% per year for many years to come. We need to make sure we are managing our consumption to minimise the cost and reduce our carbon emissions.

Health issues

Health and well-being are increasingly being seen as the first pillar of a 21st century welfare state and the first line of defence against absence from work and those who do not work on health grounds. We need to better understand the positive links between work and health and focus on preventing illness; promoting health and well-being; and early intervention for those who become ill.

As our responsibilities continue to grow in the Health field, the issue of clinical governance is becoming more important. Clinical governance is the system through which Serco Health are accountable for continuously improving the quality of their services and safeguarding high standards of care, by creating an environment in which clinical excellence will flourish. To maintain their license to operate they must maintain systems that deliver good clinical governance and monitor incidents.

Legislation and governance

International agreements and public opinion are driving legal and regulatory change. In the UK new Corporate Manslaughter legislation and the Carbon Reduction Commitment are examples of this. Corporate Manslaughter will be extended to cover deaths in custody from April 2011. We need to make sure that we comply and can demonstrate compliance.

The current economic climate has raised more issues over how business is controlled. This will further fuel a trend for greater transparency and reporting. Key stakeholders want to understand how we are performing. We must demonstrate a track record, particularly in sustainability.

Political and social drivers

Political focus is changing. In the US, Obama is one of the greenest presidents. In the UK there is a Coalition Government. Manifesto's are likely to address some of the above issues. This reflects a greater social conscience, particularly on sustainability issues.

Internal drivers

As a FTSE 100 company there is greater scrutiny of our activities. We must be clear about how we do business; manage health, safety and environmental issues; and can demonstrate compliance and continuous improvement.

Our activities have serious safety risks. A serious incident or accident will impact our reputation. We must be prepared to manage this. As our business develops these risks are changing. We are operating in new markets and undertaking larger contracts, often in conjunction with partners. This may extend the risks we face. We must understand these risks and actively manage them.

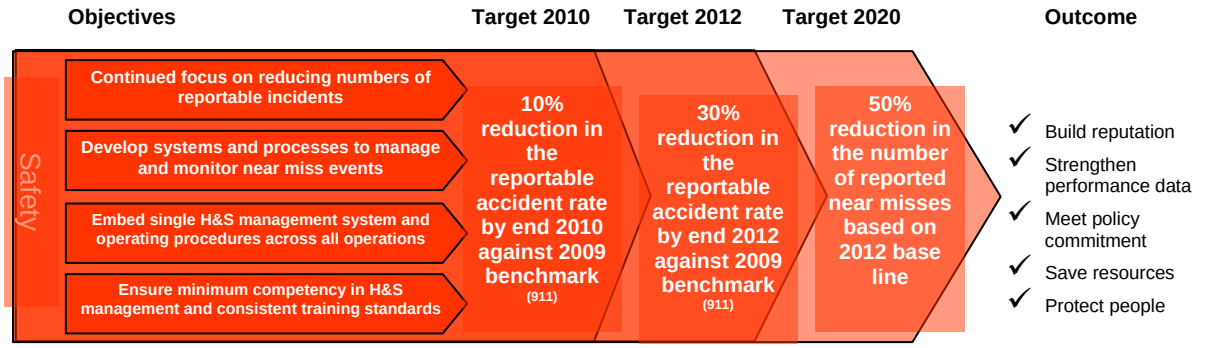
In summary, good health, safety and environmental management is good for business. Serco need's to recognise and manage the implications of a changing environment in relation to where we work, how we work, the impact our work has and the increasing scrutiny our activities are likely to be under.

3 Safety

We are committed to eliminating accidents and near misses. We will continue to strengthen our safety culture through leadership, oversight, stakeholder engagement and effective policy implementation. Our goal is to achieve zero harm to people through our business operations.

Our business is diverse with many safety risks that need to be managed. These risks are managed locally. Each division has or is developing a safety strategy that addresses their business operations. These will drive an appropriate safety culture and set specific projects/initiatives. These strategies need to apply within an overall strategy for the Group. Whilst **Zero Harm** is our ultimate objective, it is a journey. This is reflected in the objectives we have set ourselves. We are committed to the following:

Safety Objectives and Targets



2020

To have reduced by 50% the number of reported near misses based on 2012 base line

Driving improvement in safety performance is not just about reporting incidents that have happened and understanding their causes. To drive performance down we should address the pre-cursors for accidents and incidents. This is reflected in reporting and managing near miss events. Whilst there are a few pockets of excellence in this area, we do not have a culture for, or the processes in place to, capture near miss events. Over the next three years we propose that we develop processes and plans to accurately capture and manage near miss events. This will enable a baseline to be established at the end of 2012 that we can benchmark performance against.

2012

We will continue to focus on reducing the number of reportable incidents. The safety target we have set reflects this. This means that we will be delivering world class safety performance.

To have reduced by 30% the staff reportable accident rate based on 2008 base line (991 per 100k employees)

2010 - 2012

To support these targets our focus over the next three years will be on:

1. Continued focus on reducing reportable incidents

During 2010 the focus will be on analysing existing data to better identify trends. Some divisions, due to the nature of their business operations, contribute more than others. This will enable specific areas to be targeted by the divisions and local targets established to benchmark performance improvements to deliver the overall Group target.

There will then be an ongoing focus to ensure we understand root causes and take relevant management action as a result.

2. Develop systems and processes to manage and monitor near miss events

Initially work will focus on developing the systems and plans to generate the necessary processes, management information and culture change required. Once we start to get accurate data, plans can be developed to address specific risks. Data in 2012 will set the base line for our longer term objective to halve the number of near miss events.

3. Embed single HSE management system and operating procedures across all operations

The HSE management system work objectives are that we aim to:

- provide the same standard for all of our people, regardless of where they are employed
- add value by reducing duplication and administrative effort
- reduce bureaucracy and simplify
- reduce costs, by identifying common opportunities and solutions/tools
- increase Assurance staff effectiveness by reducing the time spent developing local solutions becoming more proactive and less reactive
- meet regulator and trade union expectations by avoiding variation in standards
- recognise our internal experts and use their knowledge to the benefit of all. To date this had involved a high degree of collaboration between divisions sharing best practice solutions
- do it once, do it right

As part of the overall Serco Management System work, a new Health, Safety and Environment management system has been put in place that is compliant with international ISO Standards (9001, 14001 and 18001). This is simple to understand and in a recognisable format for customers, regulators and our people. To support the system, we are developing Standard Operating Procedures or SOP's (globally applicable where possible).

The main focus in 2010 will be the adoption of these standards in the UK and then their broader implementation globally. The objective is to have the company covered by OSHAS 18001 by the end of 2012.

4. Ensure minimum competency in H&S management and consistent training standards

Training is key to the development of any safety culture. In order to deliver the objectives we have set ourselves we must ensure that all those who hold H&S responsibilities understand what is required of them and they are given the knowledge to deliver against them. We will build on current training arrangements, but specifically look to adopt more consistent training provision. This will not only ensure a common message but will allow us to understand, through effective reporting, and manage more effectively, all H&S training.

Initial work has been completed. We need to finish this work and develop specific plans through selected providers to deliver this objective across all Serco's operations.

This will mean that by the end of 2012 we will have a consistent training programme and have accurate records to understand who has been trained and ongoing and future training requirements.

To monitor progress against these objectives we have set the following target for 2010:

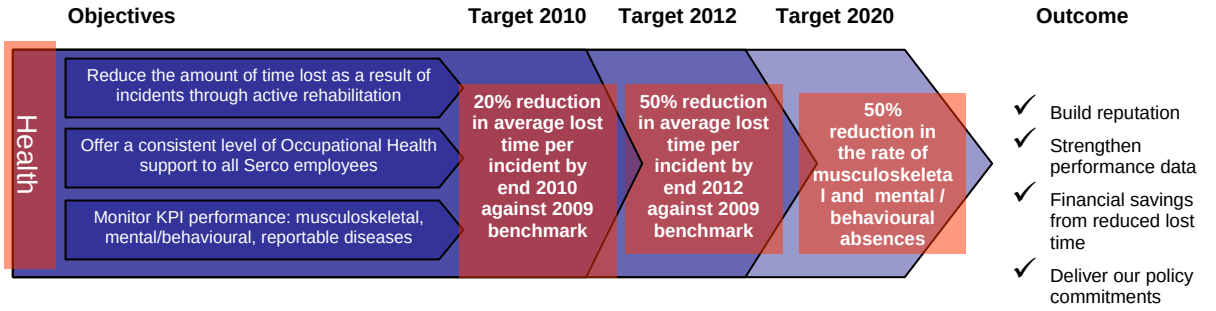
To have reduced by 10% the staff reportable accident rate based on 2008 base line (991 per 100k employees)

4 Health

The Health and well-being of our staff is a clear commitment, it is embodied in our policy and management system and reflects our governing principles. Whilst we have a strong safety culture, we need to strengthen our commitment to health issues and particularly the well-being of our staff.

This strategy recognises that we must ensure that health risks are proactively managed in the same way that safety is managed at the moment. Such a culture will contribute to the physical and mental well being of our employees, to the benefit of themselves and their families as well as the company. Our aim is to have a fit workforce working in a healthy environment with zero absence.

Health Objectives and Targets



2020

To have reduced by 50% the rate of musculoskeletal and mental and behavioural absences based on 2012 base line

From the data currently available we know that musculoskeletal and mental and behavioural causes are our main health issues. These causes also reflect national trends for health related absence. We should therefore focus on these areas as they are our biggest risk areas.

In the longer term we are committed to reducing such absences by 50%. However to properly manage this we need more accurate data and a better understanding of specific causes and trends. We will therefore put the systems and processes in place to capture this information so that a baseline can be drawn in 2012 against which performance improvements will be measured.

Whilst developing this we will focus on reducing the average lost time per incident.

2012

There has been a significant increase in the average number of full days lost as a result of incidents from 9.3 days in 2005 to the current level of 15 days (2008). Such absence impacts on the efficiency of operations, employee workload and morale and incurs significant cost.

Our objective is a 50 % reduction in this level of absence by the end of 2012. To achieve this we must actively manage absence and staff rehabilitation back to work.

To have reduced by 50% the average lost time per incident by 2012 compared to 2008 benchmark of 15 days

2010 - 2012

To support these targets our focus over the next three years will be on:

1. Reduce the amount of lost time as a result of incidents through active rehabilitation

The issue of lost time has been recognised in the business. A pilot programme is being undertaken in DST with Serco Occupational Health to see if this issue can be tackled. There are a number of elements to the programme. Firstly day one absence reporting where staff report any absence to a central reporting point improving the quality of data capture. In reporting the absence, an assessment is made as to whether the second stage process should be activated. This second stage is active case management and may involve the employee being referred for medical intervention by a physiotherapist or mental health support. This early intervention is designed to rehabilitate the employee back to work as soon

as possible. In any event, each absence is tracked and a return to work interview conducted with the line manager. Early indications have been positive with a steady reduction in overall absence.

To date indications are that the extra cost of the service is significantly outweighed by the financial benefits of better managing absence. The intention is that this level of active management should be rolled out across UK operations.

2. Offer a consistent level of occupational health support to all Serco employees

Adoption of Serco Occupational Health as the principle health provider in the UK will help ensure consistent standards are delivered. In addition it will also ensure accurate and central record keeping and data management and analysis. Better health surveillance will ensure we are legally compliant, identify and manage reportable diseases and understand any longer term liabilities.

Alongside this we need to review how similar services are provided to non-UK employees and how lessons learnt across the business to improve the overall health management of staff can be shared.

Better management and information and reduced absence will also positively impact our insurance costs.

3. Monitor KPI performance: musculoskeletal, mental and behavioural and reportable diseases

We need to put in place the systems and processes to properly capture and understand these three key areas across our business. This will enable cause and trend analysis to be undertaken. We can then set the benchmark against which we can measure and monitor future performance. It will also highlight areas where specific strategies and plans need to be developed to deliver our committed target.

To monitor progress against these objectives we have set the following target for 2010:

To have reduced by 20% the average lost time per incident by 2010 compared to 2008 benchmark of 15 days

5 Environment

Increasing awareness of environmental issues has started to focus management attention. We have been trying to better understand, measure and manage our environmental impacts. It is recognised that there are examples of excellence however the picture across the organisation as a whole remains mixed.

We must understand our environmental aspects and impacts and have processes in place to measure our performance. These are the foundations we need for supporting a longer term aspiration to be at the forefront of our business sectors in reducing environmental impacts, reducing our carbon emissions and using environmental criteria to help guide our strategic and operational decision-making processes. We do however recognise that we need to find pragmatic solutions within a commercial context.

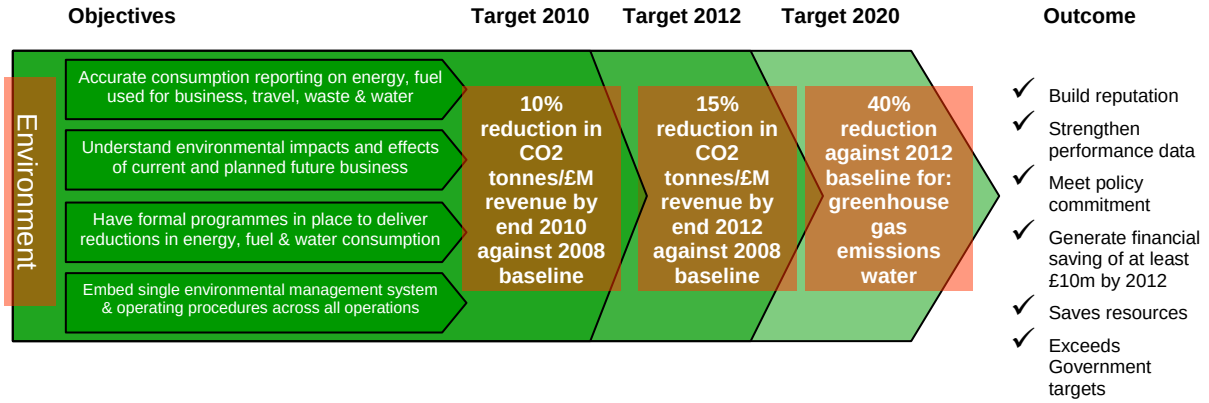
As a minimum we recognise the need to ensure we comply with legal requirements but also strive to achieve excellence through a continuous improvement programme, the effectiveness of which is recognised with ISO 14001 certification across the business. To support this, reporting mechanisms and governance systems must be strengthened to ensure we continue to understand and reduce our environmental impacts.

We also need to recognise and respond to increasing legislation. For example the UK Government's Carbon Reduction Commitment which is a mandatory emissions trading scheme for the large non-energy intensive sector, covering both business and the public sector.

As with health and safety we recognise that our approach will need to be multi-faceted with each division developing specific projects/initiatives to deliver their identified strategic objectives. This will then be supported by Group initiatives that can provide benefit across the company.

Recognising we are still in the early stages of our environmental journey, and its strong systems alignment with health and safety, the following objectives have been set to steer our path forward over the next few years:

Environment Objectives and Targets



2020

40% reduction against 2012 baseline for: greenhouse gas emissions; water and waste

Based on current trends we know that by 2020 environmental performance will be a key differentiator and we must be able to demonstrate good stewardship in this area. We must therefore work towards some challenging targets across all key environmental KPIs. To be able to do this we need to understand our environmental aspects and impacts, have robust processes in place for capturing performance data and have local strategies and plans in place to deliver improvements. Establishing these foundations over the next couple of years will enable a baseline to be established in 2012 against which performance improvements will be measured.

Whilst developing this we will focus on reducing our CO2 emissions related to energy and fuel used for business.

2012

Given this focus we have set ourselves the following target:

15% CO_2 tonnes/£M revenue from energy and fuel used for business by the end of 2012 against 2008 baseline (0.0735)

Current focus is on understanding these emissions. By achieving the target by 2012 we will have generated savings of over £6.6m in the three years.

Alongside this we start to look at other aspects of CO2 emissions to ensure we have robust data and clear plans in place to address reductions. Equally we will start to look at the types and scale of waste we produce as well as our water consumption.

2010 - 2012

To support these targets our focus over the next three years will be on:

1. **Accurate consumption reporting on energy, fuel used for business, business travel, waste and water**

   We are making progress in establishing systems to capture environmental data but we still have a long way to go. This relates both to the systems that we use as well as the accuracy and timeliness of data entry.

   There are a number of different systems that provide base data, none of which yet provide comprehensive data. We must get this right and have the final system requirements adopted quickly and supported by discipline in data entry.

2. **Understand environmental aspects and impacts of current and future business**

   As with reporting, understanding environmental aspects and impacts is patchy across the business. We must fix this and have an accurate understanding of them. This will form the foundations of any future strategy and plans. It will show us the risks that we face so that we can then do something about them. It is also a key element for ISO certification to 14001.

   To support this drive we aim to have 70% of our business covered by ISO 14001 certification by 2012.

3. **Have formal programmes in place to deliver reductions in energy, fuel and water consumption**

   Once we understand our aspects and impacts we can put programmes in place to start to reduce our impact. This will mean that work practices will need to change. There may be requirements for capital investments. The few examples that exist of this to date pay for themselves and generate savings in the long term.

   We need to better capture what we are doing and the benefits that are being delivered so that we can demonstrate a sustainable business.

4. **Embed a single environmental management system and operating procedures across all operations.**

   This is being done in conjunction with the safety management system and will deliver the same benefits once in place.

To monitor progress against these objectives we have set the following target for 2010:

10% CO_2 tonnes/£M revenue from energy and fuel used for business by the end of 2010 against 2008 baseline (0.0735)