

## Publication of the 2020 Annual Report and Accounts

**Serco Group plc (the 'Company')**  
**LEI: 549300PT2CIHYN5GWJ21**

The 2020 Annual Report and Accounts has today been published and is available on the Company's website at [www.serco.com](http://www.serco.com)

A hard copy version of the 2020 Annual Report and Accounts and the Notice of the 2021 Annual General Meeting will be sent to those shareholders who have elected to receive paper communications on or about 18 March 2021. The Notice of the 2021 Annual General Meeting will be made available on the Company's website to those shareholders who have not elected to receive paper communications on the same date.

In accordance with Listing Rule 9.6.1R, a copy of the 2020 Annual Report and Accounts will be submitted to the UK Listing Authority and will shortly be available for inspection at the National Storage Mechanism [www.fca.org.uk/markets/primary-markets/regulatory-disclosures/national-storage-mechanism](http://www.fca.org.uk/markets/primary-markets/regulatory-disclosures/national-storage-mechanism)

## Compliance with Disclosure and Transparency Rule 6.3.5 ('DTR 6.3.5')

The information below, which is extracted from the 2020 Annual Report and Accounts, together with the information included in the Company's full year results announcement published on 25 February 2021, constitute the materials required by DTR 6.3.5 to be communicated to the media in unedited full text through a Regulatory Information Service. This material is not a substitute for reading the full 2020 Annual Report and Accounts. All page and note references in the extracted information below refer to page and note references in the 2020 Annual Report and Accounts.

**David Eveleigh**  
**Group General Counsel and Company Secretary**

**10 March 2021**

## Principal Risks and Uncertainties (page 72)

### Changes during the Year

We have made one significant amendment to our risk profile, separating Health, safety and wellbeing as a standalone new principal risk. This clearly articulates our focus and ongoing commitment to the health and wellbeing of our workforce and service users to reflect not only the impact of Covid-19 but also the importance of longer-term health and wellbeing concerns.

Further minor amendments have been made to the descriptions of two risks. Firstly, we have adjusted the narrative on the Major information security breach risk to ensure that it is clear that we also mitigate cyber attacks as part of this risk. We have also broadened the risk description in Failure to grow profitably to capture the complexity of pricing long term contracts and associated risks of onerous contract provisions (OCPs).

### Summary of principal risks and uncertainties

Principal risks, as described below, have been reviewed by the Executive Committee, GRC and the Board. Each risk is classified as a strategic, financial, operational, people, hazard, or legal and compliance risk. The risks are described on the following pages, together with the relevant strategic business objectives, key risk drivers, the Group-wide material controls which have been put in place to mitigate principal risks and the mitigation priorities to improve the effectiveness of the controls. We have included the residual risk trend indicator for each risk, together with a brief commentary to contextualise these trends.

Principal risks are considered over the same three-year timeframe as the Viability Statement set out on page 79, which takes account of the principal risks in its assessment.

In addition to the principal risks and uncertainties already identified, there may be other risks, either unknown, or currently believed to be immaterial, which could turn out to be material, the Covid-19 pandemic being a good example. These risks, whether they materialise individually or simultaneously, could significantly affect the Group's business and financial results.

### Summary of Principal Risks

<b>Strategic risks</b>	Failure to grow profitably	Failure to manage our reputation	
<b>Financial risks</b>	Financial control failure		
<b>Operational risks</b>	Major information security breach or cyber-attack	Contract non-compliance, non-performance or misreporting	Failure of business-critical partner, supplier or sub-contractor
<b>People risks</b>	Failure to act with integrity	Failure to attract, engage and retain key talent	Health, safety and wellbeing
<b>Hazard risks</b>	Catastrophic incident		
<b>Legal and compliance risks</b>	Material legal and regulatory compliance failure		

## STRATEGIC RISKS

### Failure to grow profitably

Failure to win material bids or renew material contracts profitably, or a lack of opportunities in our chosen markets, could restrict revenue growth which may in turn have an adverse impact on Serco's profitability. Our business is linked to changes in the economy, fiscal and monetary policy, political stability and leadership, budget priorities, and the perception and attitude of governments and the wider public to outsourcing, which could result in decisions not to outsource services or lead to delays in placing work.

In 2020 demand has been impacted by the pandemic in different ways across our sectors and geographies; some businesses have seen very significant falls in revenues (Leisure, Transport); others (Citizen Services, Immigration) have had to respond to much higher demand; others, particularly in the Health business, have seen their costs increase. Overall, our revenues and Underlying Trading Profit increased by 20% and 36%, which implies that this risk should be receding. However, the long-term impact of the very significant amount of debt that Governments have incurred as a result of the pandemic is unclear, so we continue to rate this risk as stable.

Key risk drivers:	Material controls:	Mitigation priorities:
<b>External factors reducing the pipeline of opportunities.</b>	● Serco Group and Divisional Strategy including periodic	● Review pipeline opportunities to ensure all market activity is

<b>Failure to be competitive.</b> <b>Inability to meet customer and solution requirements during design, implementation and delivery.</b> <b>Ineffective business development.</b>	<ul style="list-style-type: none"> <li>● strategy reviews.</li> </ul>	<ul style="list-style-type: none"> <li>● accurately captured and that budgets are allocated accordingly.</li> </ul>
	<ul style="list-style-type: none"> <li>● Investment Committees.</li> <li>● Sector-specific Centres of Excellence ("CoEs") and Value Propositions.</li> <li>● Serco Institute to develop thought leadership and innovation for our markets.</li> <li>● Business Lifecycle Review Team ("BLRT") Process.</li> <li>● Pipeline and Business Development ("BD") spend reviews.</li> <li>● Divisional Performance Reporting ("DPR") process.</li> </ul>	<ul style="list-style-type: none"> <li>● Review portfolio for new attractive organic expansion areas.</li> <li>● Continue to improve leveraging of Serco best practice and innovation and refinement of bid development processes.</li> <li>● Continue to adopt a robust bid qualification process.</li> <li>● Retain focus on effective management for major bids.</li> </ul>

#### Failure to manage our reputation

Failure to manage our reputation will mean that customers will be less likely to give us new business or renew existing business. It will also impact our ability to attract and retain high-quality people and may lead to a reduced share price and the related consequences of a reduced valuation of the business.

The Covid-19 pandemic has seen increased external scrutiny of Serco, especially in the UK, where there has been widespread criticism of the NHS Test and Trace programme, some of which has focused on the role of outsourcing companies in general and Serco in particular. We discuss aspects of this further in our ESG Impact and Responsibility report on page 40. The potential impact of this is reflected in the increased risk trend. However, the Government has continued to increase the amount of Test & Trace work it awards to us, and we have experienced no difficulty in recruiting staff at all levels. It is therefore our view that this does not reflect the quality of our operations and accordingly does not seem to have had any significant impact on our business.

Key risk drivers:	Material controls:	Mitigation priorities:
<b>Failure to clearly define what Serco stands for and how we wish to be seen.</b> <b>Not understanding our customers' and stakeholders' expectations.</b> <b>Insufficient focus on articulating and evidencing the benefits of private provision of public services.</b> <b>Failure to manage incidents appropriately.</b>	<ul style="list-style-type: none"> <li>● Serco Values clearly defined and understood.</li> <li>● Group Reputation, Brand and Communication Standard.</li> <li>● Customer and stakeholder relationship, communication and engagement programmes.</li> <li>● Proactive engagement with the media and continual media monitoring.</li> <li>● Media training and understanding of reputational issues for senior management.</li> <li>● Incident management processes and crisis management plans.</li> </ul>	<ul style="list-style-type: none"> <li>● Continual refinement and improvement of existing communication and marketing controls and approaches.</li> <li>● Heightened efforts to explain and evidence the benefits and innovations that Serco brings to the provision of public services including targeted efforts to tackle negative and inaccurate accounts of our role in Covid-19 response in the UK.</li> <li>● Serco Institute publishing innovative thinking on public service delivery.</li> </ul>

#### FINANCIAL RISKS

##### Financial control failure

Financial control failure may result in: an inability to accurately report timely financial results and meet contractual financial reporting obligations; a heightened risk of error and fraud; poor quality data leading to poor business decisions, or an inability to forecast accurately; the failure to create a suitable capital structure, and an inability to make critical financial transactions, leading to financial instability, potential business losses, and negative reputational impact.

At the start of the Covid-19 pandemic it was recognised that the risk of financial control failure was heightened due to the fast moving nature of the business, risk of absenteeism in both the in-house and outsourced finance organisation and disruption to core financial processes and data quality caused by new operating environments resulting from the items noted above and remote working. The Group mobilised quickly to ensure that key mitigants were put in place such as adequate remote working capacity within the Group's outsourced finance teams, working capital was closely monitored and data was captured to understand the impact of Covid-19 on the Group's financial results. To date the risks which were identified at the start of the pandemic have not materialised and our core financial processes and controls have continued to operate without significant disruption. We have focused the assurance programme on the additional risks identified as a result of Covid-19. Work continues to ensure that the finance operating model is sustainable and effective, and the Company is working closely with its third-party service provider to ensure this is the case. The European business was subject to a cyber attack in January 2021. The results of the investigation into this attack, produced by both our internal investigations and by our external advisors, to date have not identified any compromise to the financial information used for the basis of year end reporting or to the integrity of financial results from the European Business Unit.

Key risk drivers:	Material controls:	Mitigation priorities:
<b>Not setting the right tone from the top.</b> <b>Poor financial processes.</b> <b>Inadequate financial controls within the business.</b> <b>Challenges of new finance operating model.</b>	<ul style="list-style-type: none"> <li>● Group Governance and Finance strategy.</li> <li>● Standardised and mandated financial systems, processes (including forecasting and reporting) and data structures.</li> <li>● Governance and review procedures associated with managing the quality of services delivered by third party suppliers.</li> </ul>	<ul style="list-style-type: none"> <li>● Enhance the financial controls and assurance framework, with reference to readiness for the Brydon Report recommendations and other Corporate Governance regulatory changes.</li> <li>● Continue to deliver effective financial reporting and transformation savings.</li> <li>● Continuously improve</li> </ul>

	<ul style="list-style-type: none"> <li>● Skilled and adequately trained finance staff.</li> </ul>	<p>forecasting and reporting processes and data analysis.</p> <ul style="list-style-type: none"> <li>● Deliver global finance process improvement and efficiency through automation and robotics.</li> <li>● Ensure talent is retained within the finance function.</li> </ul>
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## OPERATIONAL RISKS

### Major information security breach or cyber attack

A major information security breach resulting in the loss or compromise of sensitive information (including personal or customer) or wilful damage resulting in the loss of service, causing significant reputational damage, financial penalties and loss of customer confidence.

We continue to make significant investments in our cyber-security both at our end-points and in our core network. In most of our jurisdictions we test ourselves against Government standards including CES+ in the UK, and we also regularly run penetration tests. We have a continuing programme of upgrading old desktops and laptops, and the number of devices outside centralised management and monitoring is decreasing rapidly. We have our own in-house Security Operations Centre which monitors the networks and manages our response to cyber threats.

Whilst our cyber security capabilities are improving constantly, the fact is that the same applies to the capabilities of those who would do us harm. As evidenced in a cyber attack in our European business in January 2021 and recent attacks on our competitors involving ransomware our industry is a particular target for extortion, and this, along with the increased public profile we have had as a result of our involvement with government contracts to respond to the Covid-19 pandemic, leads us to conclude that this risk is increasing.

Key risk drivers:	Material controls:	Mitigation priorities:
<p><b>Non-compliant or obsolescent systems.</b></p> <p><b>Non-compliance or misconfiguration with policies and standards.</b></p> <p><b>Vulnerability of systems and information.</b></p> <p><b>Unauthorised use of systems.</b></p> <p><b>Inadequate incident monitoring and response.</b></p> <p><b>Increased regulatory scrutiny.</b></p>	<ul style="list-style-type: none"> <li>● Enterprise Architecture Boards &amp; Solution Review meetings.</li> <li>● Serco Management System ("SMS") including detailed guidance on minimum security controls.</li> <li>● IT security infrastructure, processes and controls including isolated backups.</li> <li>● Privileged Access Management and multi-factor Authentication for our centralised managed systems.</li> <li>● External assessments and scenario based cyber security testing and incident planning.</li> <li>● Regular attestation statements on security controls compliance.</li> </ul>	<ul style="list-style-type: none"> <li>● Implementation of recommendations arising out of the European Cyber attack investigation.</li> <li>● Ongoing continuous improvement programmes for our Security Operations Centres to maintain effective risk identification.</li> <li>● Continued routine vigilance and proactive vulnerability identification coordinated through our Security Operations Centres.</li> <li>● Continued use of global key security risk indicators and regular third party testing and best practice configuration reviews to support mitigation priorities.</li> <li>● Leveraging Cloud adoption to ensure standardised control mechanisms.</li> <li>● A focus on the behavioural aspects of our employees.</li> </ul>

### Contract non-compliance, non-performance or misreporting

Failure to deliver contractual requirements or to meet agreed service performance levels and report against these accurately may lead to significant financial penalties, legal notices, onerous contract provisions or, ultimately, early termination of contracts.

The reporting structure, the systems and the monthly business performance reviews which are conducted at contract, Business Unit and Divisional level across our business provide a rigour that allows senior management early visibility of material contract performance or compliance issues. Contract teams have reacted positively throughout the Covid-19 pandemic, maintaining good customer communications and ensuring service delivery and contract compliance has continued where possible.

Key risk drivers:	Material controls:	Mitigation priorities:
<p><b>Poor understanding of contract obligations.</b></p> <p><b>Poor systems/IT.</b></p> <p><b>Lack of process and controls.</b></p> <p><b>Ineffective assurance and human error.</b></p> <p><b>Poor leadership and culture.</b></p>	<ul style="list-style-type: none"> <li>● Contract Management Application ("CMA").</li> <li>● Monthly performance reviews at Contract, Business Unit and Divisional level.</li> <li>● Business Lifecycle Review Team ("BLRT") process.</li> <li>● Communication of Our Values and Code of Conduct.</li> <li>● Speak up process ("Ethicspoint").</li> </ul>	<ul style="list-style-type: none"> <li>● Contract Management training (Global and Divisional).</li> <li>● Greater visibility of performance through contract performance dashboard ("Gauge").</li> <li>● Continued focus on consistent approach to risk assessment.</li> <li>● Operational excellence improvement plans.</li> <li>● Ongoing ethics, business conduct and compliance training.</li> </ul>

### Failure of business-critical partner, sub-contractor or supplier

As a result of the failure of a business-critical partner, sub-contractor or supplier to deliver and/or perform to the required standard, Serco may be unable to meet its customer obligations or perform critical business operations which could result in a financial, operational or reputational impact

on Serco.

During the Covid-19 pandemic there has not been an outright business critical supplier failure although we experienced some disruption with PPE supply in the initial stages of the pandemic. We are in regular contact with key suppliers to assess supply disruption and risk mitigation plans.

In 2020 we launched the Supplier Management Programme, initially for fifty of our most critical suppliers. The programme has three core components; Contract Compliance - awareness and management of all key contract obligations/deliverables on both Serco and our suppliers; Risk Management - identifies and assesses risks of business critical suppliers; this will be done by tracking and reporting on the effectiveness of 12 key controls and Performance Management - working together with the business and suppliers to measure, assess and manage supplier performance and drive optimal performance. We assess this risk as stable.

Key risk drivers:	Material controls:	Mitigation priorities:
<b>Ineffective procurement and supply chain governance.</b> <b>Identification of significant suppliers.</b> <b>Limited oversight.</b> <b>Lack of resilience in the supply chain.</b>	<ul style="list-style-type: none"> <li>● Procurement policy, standards and procedures.</li> <li>● Contracts with appropriate Key Performance Indicators /Service Level Agreements.</li> <li>● Supplier Due Diligence (pre-qualification/on-boarding) including Ethical supplier checks and financial supplier onboarding checks.</li> <li>● Supplier Management Programme roll out for most business-critical suppliers.</li> <li>● Bi-annual Procurement review process of all business-critical suppliers.</li> </ul>	<ul style="list-style-type: none"> <li>● Complete roll out of Supplier Management Programme to all appropriate major rated business-critical suppliers.</li> <li>● Establish process for checking supplier Business Continuity Plans &amp; Disaster Recovery plans are in place, regularly reviewed &amp; tested for all major rated business-critical suppliers.</li> <li>● Establish supplier financial checks in ME and ongoing monitoring in AsPAC for all business-critical suppliers.</li> <li>● Establish alternative supply chain plans for all major rated business-critical suppliers.</li> </ul>

## PEOPLE RISKS

### Failure to act with integrity

If we were ever found to have engaged in a significant corrupt or dishonest act (bribery, fraud, misreporting, cheating or lying) it would lead to customers being reluctant to do business with us. Such behaviour might arise through the actions of rogue employees or as a result of pressures individuals may feel they are being placed under to deliver financial or operational performance and might lead to: the loss of existing business; restrictions on our ability to bid or win new business; our ability to attract high-quality people or partners; or may impact shareholder, investor and financial institutions' confidence in Serco. Covid-19 has brought additional challenges to many parts of the business, and these could lead to an increase in inherent risk; however, we remain confident in the controls we have in place to manage this, and we rate this risk as stable.

Building on work from 2019 we have rolled out improved ethics training, strengthened our internal capability through professional qualifications and continued to reinforce our strong tone at the top.

Key risk drivers:	Material controls:	Mitigation priorities:
<b>Weak culture.</b> <b>Increased pressure to deliver.</b> <b>Ineffective systems and processes.</b>	<ul style="list-style-type: none"> <li>● Strong, meaningful and understood Values and required behaviours which are role modelled by leaders.</li> <li>● Robust governance (Corporate Responsibility Committee; Executive Committee; Investment Committee; Divisional Executive etc.) exercising oversight of decisions within delegated authorities.</li> <li>● Effective policy and procedures including financial controls and processes defined within the SMS and supported by our Code of Conduct.</li> <li>● Independent Speak Up process supported by corporate investigations.</li> </ul>	<ul style="list-style-type: none"> <li>● Deliver our commitments under the DPA.</li> <li>● Drive greater leadership ownership and accountability for a strong ethical culture.</li> <li>● Embed Ethics Compliance controls and procedures as an integral part of business processes.</li> <li>● Continue to strengthen Ethics Compliance resource and competency.</li> <li>● Strengthen assurance provided by Ethics Compliance controls.</li> </ul>

### Failure to attract, engage and retain key talent

It is our ambition to be one of the best managed companies in the sector and, notwithstanding our framework of people processes, systems and controls, there is a risk that we are unable to attract, engage and retain an appropriately sized, qualified and competent workforce and management team. This would restrict Serco's ability to deliver on its customer obligations, execute its strategy and achieve its business objectives whilst driving employee pride in the organisation.

This risk specifically includes consideration of key person reliance in our leadership and executive teams including succession planning for our senior management team and other business-critical roles. In response to Covid-19, a great deal of work was done to streamline and simplify our approach to attracting and onboarding new colleagues. Extensive use of social media to support recruitment activity and the "speed boarding" global process has now been embedded leading to significant efficiencies in bringing new staff into Serco.

The Group Chief Operating Officer continues to work closely with the Board to develop effective succession planning, both for Executive Committee and Group roles.

Key risk drivers:	Material controls:	Mitigation priorities:
<b>Lack of staff development.</b> <b>Poor talent management and succession planning.</b> <b>Low employee</b>	<ul style="list-style-type: none"> <li>● Talent Management &amp; Succession processes.</li> <li>● Leadership capability development.</li> <li>● Targeted retention</li> </ul>	<ul style="list-style-type: none"> <li>● Ensure up to date understanding of local employment markets.</li> <li>● Continue to monitor channels to access</li> </ul>

<b>engagement.</b> <b>Unsatisfactory reward framework.</b> <b>Recruitment failings.</b> <b>Inability to attract appropriate new hires.</b>	arrangements. <ul style="list-style-type: none"> <li>● Critical Resource Planning.</li> <li>● Annual Performance Management process.</li> <li>● Exit Interviews.</li> </ul>	external talent in chosen markets. <ul style="list-style-type: none"> <li>● Ongoing Reward benchmarking activity to ensure market competitive reward packages to aid retention of existing staff and attraction of new.</li> <li>● Continue with detailed review of succession plans and mitigation strategies as part of Talent Review Process.</li> <li>● Ensure ongoing use and analysis of exit interviews.</li> <li>● Follow up and action on themes identified as result of annual people survey.</li> </ul>
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## Health, safety and wellbeing

The diversity of services provided by Serco exposes our employees, customers and third-parties to a wide range of health, safety and wellbeing risks inherent to our operations in both work and public environments. These may be caused by a process or control failure or by the wrong behaviour and inadequate safety culture. As responsible employers we recognise the complexity of wellbeing risk and aim to ensure that working for Serco does not impose any additional wellbeing challenges on our employees.

In addition to personal injury concerns, a breach of Health and Safety regulations or failure to meet our contracted expectations could disrupt our business, have a negative impact on our reputation and lead to contractual, financial and regulatory costs.

Much of 2020 has been dominated by our response to the Covid-19 pandemic where we have focused on the protection of our employees, customers and third parties, seeking to consider all elements of this risk. Our Health and Safety team formed a key part of our Covid-19 response across the business, facilitating key mitigations including design and implementation of Covid-19 site specific risk assessments, remote working risk assessments, training and communication and the development and roll out of mental health resources. Whilst this risk is a new principal risk this year, we recognise that Covid-19 presents an ongoing challenge and elevates the position of this risk on our corporate profile.

Key risk drivers:	Material controls:	Mitigation priorities:
<b>Failure of the Serco Safety Management System.</b> <b>Insufficient communication of key issues, risks and changes.</b> <b>Lack of/out of date task specific competence.</b> <b>Human factors impact on behaviour.</b> <b>Health and wellbeing challenges.</b> <b>Behavioural failures/human error resulting in injury or incident.</b> <b>Impact of the Covid-19 pandemic.</b>	<ul style="list-style-type: none"> <li>● Serco Health, Safety, Environmental and Wellbeing (HSEW) Strategies and Safety Management System (policies and procedures inc. Covid-19 Secure and specific guidance and policies).</li> <li>● Safety and wellbeing training, communications and guidance (inc. Serco Essentials) and individual development plans and processes based on role and operational risk.</li> <li>● Spontaneous and planned preventative, maintenance, inspection and repair programmes.</li> <li>● Effective incident/near-miss observations reporting and investigations and effective use of ASSURE (independent reporting and compliance system).</li> <li>● Regular organisation wide Covid-19 specific guidance and communication.</li> </ul>	<ul style="list-style-type: none"> <li>● Continue to embed updated Health, Safety, Environment and Wellbeing strategies and a positive "just" culture.</li> <li>● Increase Zero Harm Engagement and Safety Moment activity across the Regions.</li> <li>● Drive wellbeing agenda and ensure appropriate focus at a corporate level.</li> <li>● Continuing 1st, 2nd and 3rd line assurance activities.</li> <li>● Further embed the Serco (Health, Safety, Environmental and Wellbeing) Strategies and Safety Management System (policies and procedures inc. Covid-19 Secure and specific guidance and policies).</li> <li>● Further development of the ESG agenda and programme of improvements.</li> </ul>

## HAZARD RISKS

### Catastrophic incident

An event (incident or accident) as a result of Serco's actions or failure to effectively respond to an event that results in multiple fatalities, severe property/asset damage/loss or very serious environmental damage.

Each Division is continuing to assess risks at a contract level to ensure that all relevant material risks have been identified and to assess and assure mitigations, including insurance cover, are appropriate. Contracts considered inherently high risk are reviewed regularly. Existing business continuity and crisis management plans and processes have been used and served the business well during the Covid-19 pandemic and, despite a challenging insurance market, we have secured comprehensive insurance protection as a key mitigant for this risk.

Key risk drivers:	Material controls:	Mitigation priorities:
<b>Factors resulting in unsafe conditions.</b> <b>Ineffective or inadequate policies, standards and procedures.</b> <b>Lack of capability and experience.</b> <b>Lack of safety cultural alignment.</b>	<ul style="list-style-type: none"> <li>● Serco Health, Safety, Environmental and Wellbeing (HSEW) Strategies and Safety Management System (policies and procedures).</li> <li>● Safety training (including Serco Essentials) and individual development plans and processes based on role and</li> </ul>	<ul style="list-style-type: none"> <li>● Continue to embed updated HSEW strategies and a positive "just" culture.</li> <li>● Ongoing work within divisions to identify and assess contract specific risks and liabilities.</li> <li>● Continued training in insurance and contractual</li> </ul>

<b>Insufficient safety management oversight.</b> <b>Inadequate response to a catastrophic event.</b>	operational risk.	risk management.
	<ul style="list-style-type: none"> <li>● Effective incident/near-miss investigations and effective use of ASSURE (independent reporting and compliance system).</li> <li>● Crisis and incident emergency response plans and testing.</li> <li>● Risk transfer via insurance where appropriate.</li> </ul>	<ul style="list-style-type: none"> <li>● Review and optimisation of the insurance programme and captive structure.</li> <li>● Review levels and adequacy of compliance assurance.</li> <li>● Continued review and sharing of lessons learned throughout the Covid-19 pandemic recovery phases.</li> </ul>

## LEGAL AND COMPLIANCE RISKS

### Material legal and regulatory compliance failure

Failure to comply with laws and regulations could cause significant loss and damage to the Group including exposure to regulatory prosecution and fines, reputational damage and the potential loss of licences and authorisations, all of which may prejudice the prospects for future bids. Defending legal proceedings may be costly and may also divert management attention away from running the business for a prolonged period. Uninsured losses or financial penalties resulting from any current or threatened legal actions may also have a material adverse effect on the Group.

The Covid-19 pandemic introduced additional complexity to the legal compliance framework and we recognise that this may increase our risk exposure. In addition, various laws and regulations that apply across the business continue to be subject to increased focus and attention, including Anti-Bribery and Corruption laws, Market Abuse Regulation, Data and Privacy laws, Modern Slavery, Trade Compliance and Human Rights.

Our 2019 Annual Report documented our approach in reference to the Deferred Prosecution Agreement (DPA) one of the subsidiaries of Serco Group plc, Serco Geografix Limited (SGL) entered into with the Serious Fraud Office (SFO) in July 2019. Throughout 2020 we have continued to implement and monitor delivery of our obligations under the DPA and Undertaking providing our first report to the SFO in June 2020. We will continue to focus on the implementation of our ongoing obligations throughout 2021 via our DPA plan with both the Board and GRC providing review and oversight of progress.

Key risk drivers:	Material controls:	Mitigation priorities:
<b>Lack of governance and oversight.</b> <b>Failure to comply with the SMS and contractual obligations.</b> <b>Failure to identify and respond to material changes in legal and regulatory requirements, including fast moving new laws on Covid-19.</b> <b>Lack of awareness by employees of the legal and regulatory requirements placed upon them and the business.</b> <b>Inadequate provision of systems and tools.</b> <b>Legal or regulatory compliance failure by a third-party supplier/agent/partner.</b> <b>Class action litigation and increasing regulatory fines.</b> <b>Compliance with SFO DPA obligations.</b>	<ul style="list-style-type: none"> <li>● Alerts on material legal and regulatory obligations and changes.</li> <li>● Legal and contract experts aligned to various specialist areas across the business supported by mandated and bespoke training.</li> <li>● Investment Committee and Business Life cycle Review Team ("BLRT") bid process and governance.</li> <li>● Third-party ethical and general due diligence on all suppliers.</li> <li>● Covid Pandemic Steering Group monitoring and communicating legal changes.</li> <li>● Speak up process and case management system.</li> </ul>	<ul style="list-style-type: none"> <li>● Compliance with Deferred Prosecution Agreement obligations.</li> <li>● Automating legislation tracking and horizon scanning on key new laws and regulations.</li> <li>● Greater use of data and trend analysis.</li> <li>● Embedding risk based third-party due diligence including modern slavery risk assessment.</li> <li>● Continuing development of Serco Essentials training programmes including Code of Conduct training.</li> <li>● Continuing to improve key contract and compliance assurance reviews.</li> </ul>

### Related Party Transactions (note 36 to the consolidated financial statements)

Transactions between the Company and its wholly owned subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Transactions between the Group and its joint venture undertakings and associates are disclosed below.

#### Transactions

During the year, Group companies entered into the following transactions with joint ventures and associates:

	Transactions 2020 £m	Current outstanding at 31 December 2020 £m	Non current outstanding at 31 December 2020 £m
<b>Sale of goods and services</b>			
Joint ventures	0.1	-	-
Associates	2.3	0.2	-
<b>Other</b>			
Dividends received - joint ventures	4.3	-	-
Dividends received - associates	15.5	-	-
Receivable from consortium for tax - joint ventures	(0.1)	2.0	0.1
<b>Total</b>	<b>22.1</b>	<b>2.2</b>	<b>0.1</b>

Joint venture receivable and loan amounts outstanding have arisen from transactions undertaken during the general course of trading, are

unsecured, and will be settled in cash. No guarantees have been given or received.

	Transactions 2019 £m	Outstanding at 31 December 2019* £m
<b>Sale of goods and services</b>		
Joint ventures	1.3	0.1
Associates	8.4	0.5
<b>Other</b>		
Dividends received - joint ventures	7.8	-
Dividends received - associates	17.6	-
Receivable from consortium for tax - joint ventures	4.4	4.8
<b>Total</b>	<b>39.5</b>	<b>5.4</b>

\*All amounts outstanding as at 31 December 2019 are due within 12 months of the balance sheet date.

On 31 May 2020, the Group disposed of its 33% interest in Viapath Analytics LLP, Viapath Services LLP and Viapath Group LLP (together "Viapath"). As part of the transaction, the Group received an amount of £11.0m for its share in the net assets of the joint venture. At the same time as disposing of the Group's interest in Viapath, the Group recovered a loan into the joint venture of £1.2m and £2.9m of profit share which was previously considered to be irrecoverable.

## **Directors' Responsibility Statement (page 140)**

The Directors are responsible for preparing the Annual Report and the Group and Company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and Company financial statements for each financial year. Under that law, the Directors are required to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and applicable law, and have elected to prepare the Company financial statements in accordance with UK accounting standards, including FRS 101, Reduced Disclosure Framework. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of their profit or loss for that period.

In preparing each of the Group and Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant, reliable and prudent;
- for the Group financial statements, state whether they have been prepared in accordance with IFRS as adopted by the European Union;
- for the Company financial statements, state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the Company financial statements;
- assess the Group's and Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal controls as they determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and Governance Statement that comply with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## **Responsibility statement of the Directors in respect of the Annual Report and Accounts**

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

We consider the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

By order of the Board:

**Rupert Soames, Group Chief Executive**

**Angus Cockburn, Group Chief Financial Officer**

### **Forward-looking statements**

This announcement contains statements which are, or may be deemed to be, "forward-looking statements" which are prospective in nature. All statements other than statements of historical fact are forward-looking statements. Generally, words such as "expect", "anticipate", "may", "could", "should", "will", "aspire", "aim", "plan", "target", "goal", "ambition", "intend" and similar expressions identify forward-looking statements. By their nature, these forward-looking statements are subject to a number of known and unknown risks, uncertainties and contingencies, and actual results and events could differ materially from those currently being anticipated as reflected in such statements. Factors which may cause future outcomes to differ from those foreseen or implied in forward-looking statements include, but are not limited to: general economic conditions and business conditions in Serco's markets; contracts awarded to Serco; customers' acceptance of Serco's products and services; operational problems; the actions of competitors, trading partners, creditors, rating agencies and others; the success or otherwise of partnering; changes in laws and governmental regulations; regulatory or legal actions, including the types of enforcement action pursued and the nature of remedies sought or imposed; the receipt of relevant third party and/or regulatory approvals; exchange rate fluctuations; the development and use of new technology; changes in public expectations and other changes to business conditions; wars and acts of terrorism; cyber-attacks; and pandemics, epidemics or natural disasters. Many of these factors are beyond Serco's control or influence. These forward-looking statements speak only as of the date of this announcement and have not been audited or otherwise independently verified. Past performance should not be taken as an indication or guarantee of future results and no representation or warranty, express or implied, is made regarding future performance. Except as required by any applicable law or regulation, Serco expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward looking statements contained in this announcement to reflect any change in Serco's expectations or any change in events, conditions or circumstances on which any such statement is based after the date of this announcement, or to keep current any other information contained in this announcement. Accordingly, undue reliance should not be placed on the forward-looking statements.

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