

# Double materiality assessment (DMA)

In 2025, we undertook a DMA, to identify and prioritise the sustainability topics most relevant to our business, our stakeholders, and our wider value chain and reflect the requirements of the European Sustainability Reporting Standards (ESRS) and Corporate Sustainability Reporting Directive (Directive (EU) 2022/2464, CSRD). Although Capita is not currently in scope of the CSRD, the assessment was designed to reflect leading CSRD practices. Key features included:

- double materiality – assessing both inward financial risks and outward sustainability impacts;
- systematic impacts, risks and opportunities (IROs) identification – structured mapping of impacts, risks, and opportunities;
- robust scoring methodology – enabling transparent prioritisation and integration with enterprise risk management;
- system and finance – ensuring risk assessment and materiality thresholds aligned with existing processes; and
- leadership and subject-matter experts engagement – embedding business insight and ownership.

## Mapping the value chain

A thorough mapping of Capita's value chain served as the foundation for identifying where the most significant IROs arise. It considered the full range of Capita's activities and relationships, starting with upstream suppliers who provide essential inputs such as data and IT services, facilities, energy, and professional services. It then examined Capita's own operations, including core business activities across finance, legal, people, technical operations, and product development. Finally, the assessment extended downstream to capture the effects of Capita's work on clients, consumers, investors, trade unions, and the wider community, as well as the end-of-life stage of services and products.

The assessment identified hotspots and key dependencies throughout the value chain – areas where Capita's business model is exposed to the most significant sustainability impacts or where there are critical dependencies that could pose financial risks. This value chain perspective ensured that the DMA did not focus solely on Capita's direct operations but also addressed the broader network of relationships and activities that shape our overall sustainability profile.

## IROs

Building on the value chain mapping, Capita's DMA systematically identified and prioritised the sustainability topics most relevant to our business and stakeholders. By considering every stage of our value chain we ensured that the assessment captured the full breadth of our impacts, dependencies, and exposures.

We developed a comprehensive long list of 184 potential IROs through a combination of internal policy review, benchmarking against external standards such as the ESRS, peer analysis, and alignment with Capita's responsible business strategy. Each IRO was mapped to the relevant segment of our value chain, ensuring that both direct and indirect effects were considered.

We applied a robust scoring framework based on the scale and scope of each impact, the likelihood of occurrence, the degree to which negative impacts could be remediated and the potential financial magnitude. Scoring was done on an unmitigated basis. This approach allowed us to assess both the significance of each topic and its relevance within the broader context of our business model and value chain.

Stakeholder engagement was central to the process. We conducted interviews with senior executives, including members of the RB Committee and senior leadership and engaged with 27 subject matter experts from across the business, in the IROs scoring exercise. External advisors from SLR Consulting supported the methodology, scoring framework, and validation workshops, ensuring best practice and alignment with regulatory expectations.

External stakeholder perspectives were incorporated by proxy, drawing on existing engagement, reporting, and credible secondary sources.

## Differences between the previous and current DMA

The updated DMA represents a significant evolution in Capita's approach, reflecting both our advancing corporate strategy and the shifting priorities of our stakeholders. Certain topics that were previously identified as material have not been carried forward into the 2025 materiality list. This shift does not indicate that these topics are unimportant; rather, it reflects a reassessment of their relative significance considering Capita's current strategic focus and stakeholder expectations.

In particular, biodiversity is addressed within Capita's wider environmental management and climate-related activities. Given the nature of Capita's operations, biodiversity does not represent a distinct area of material impact but is instead integrated into our broader approach to environmental stewardship.

Public policy and regulation is now embedded within the wider Business conduct and ethical AI material topic to reflect a holistic governance approach under ESRS, ensuring that critical activities such as stakeholder engagement and regulatory compliance are fully integrated into ethical behaviour, compliance, and responsible business practices across all operations.

Responsible business › Material topics

# Material topics

From the initial longlist of 184 IROs, 39% were deemed material. These topics span responsible business areas and reflect Capita’s upstream and downstream value chain. Ten material strategy topics were identified. These findings now form the foundation for sustainability disclosures, policies, and programmes, and will be regularly reviewed to ensure they remain relevant as our business and the external environment evolve. The DMA confirmed that the topics identified as material are consistent with Capita’s current strategic priorities and risk management approach. The findings of this assessment will inform the ongoing implementation of our responsible business strategy, which covers the period 2024–2026, and will be fully integrated into our planned strategy refresh in 2026 to ensure continued alignment with evolving material topics and stakeholder expectations. The topics are organised according to the ESRS topical structure rather than by their relative materiality, with themes that span multiple ESRS areas placed where this offers greatest clarity.

Material strategy topics	ESRS topic	Description	IROs	Value chain	Time horizon	UN SDGs supported
<b>Environmental stewardship</b>	E3 – Water and marine resources; E5 – Resource use and circular economy	Capita faces growing water-related risks due to its reliance on AI and data centres, which require significant water for cooling. There is also potential financial and reputational exposure if sustainability claims are perceived as unclear or unsubstantiated.		^ ^ v	▶▶▶	 
<b>Climate change</b>	E1- Climate change	Capita faces financial risks from climate change extreme weather, carbon pricing, regulatory shifts, and energy volatility, impacting operations, supply chains, and competitiveness. Greenhouse gas emissions across the value chain create compliance and reputational challenges, while proactive measures, such as energy efficiency, heat decarbonisation, and renewables, offer opportunities to reduce costs and strengthen market position.	  	^ ^ v	▶▶▶	
<b>Employee health, safety and wellbeing</b>	S1 – Own workforce	Robust health and safety measures, mental health support, and ergonomic workplace design improve employee wellbeing and productivity, while structured dialogue and training strengthen trust and organisational culture. Inadequate measures can lead to legal issues, operational disruption, and contract loss.	  	^ ^ v	▶▶▶	 
<b>Diversity, equity and inclusion (DEI)</b>	S1 – Own workforce	Promoting diversity and inclusion enhances innovation, strengthens market reach and improves competitiveness. On the contrary, unmanaged pay gaps and discriminatory practices may undermine inclusion and trust, as well as pose legal and reputational risks.	  	^ ^ v	▶▶▶	 
<b>Human and labour rights</b>	S1 – Own workforce; S2 – Workers in the value chain	Fair and secure working conditions enhance engagement and mitigate risks of turnover, absenteeism, and reputational harm. Capita can create a positive social impact by investing in ethical sourcing, promoting fair labour practices, human rights and inclusive employment across its value chain, and mitigating child or forced labour risks in the value chain.	  	^ ^ v	▶▶▶	

Responsible business › Material topics *continued*

Material strategy topics	ESRS topic	Description	IROs	Value chain	Time horizon	UN SDGs supported
<b>Community impact</b>	S3 – Affected communities	Capita drives positive social impact through volunteering, corporate donations, payroll giving and matched funding, fostering community wellbeing and employee engagement. Expanding these initiatives across operations and embedding them into contract delivery strengthens Capita’s social value credentials, enhances client relationships, and reinforces its position as a responsible business leader, while mitigating potential risks such as financial penalties and reduced stakeholder trust.				  
<b>Customer welfare and safety</b>	S4 – Consumers and end-users	Improving service quality and accessibility delivers societal benefits and creates financial opportunities through enhanced design and digital tools. At the same time, strong health and safety standards and accessibility measures mitigate potential risks of delays, errors, or trust erosion, ensuring customer welfare and reinforcing Capita’s reputation.				 
<b>Business conduct and ethical AI</b>	G1 – Business conduct	Capita strengthens responsible business governance and embeds compliance across operations to mitigate risks such as regulatory breaches, financial crime, and ethical challenges linked to AI and IT reliance. These measures help prevent penalties, service disruption, and trust erosion, while creating opportunities to engage in public policy dialogue and leverage ethical AI to enhance customer experience, employee wellbeing, and innovation.				 
<b>Cyber security and data protection</b>	G1 – Business conduct; S1 – Own workforce; S4 – Consumers and end-users.	Capita faces significant risks related to data privacy mishandling and cyber attacks, including potential penalties, litigation, reputational damage and contract loss. These challenges highlight the importance of robust data protection and security measures across operations and supply chains. At the same time, Capita has an opportunity to leverage its expertise in cybersecurity to offer advisory and managed services, strengthening resilience while creating new value for clients and society.				
<b>Sustainable, transparent and resilient supply chains</b>	G1 – Business conduct	Building long-term, collaborative supplier relationships can reduce costs and improve service quality through innovation and shared risk, while inadequate supplier management risk may cause supply chain disruption and operational risks.				

**Time horizon:** Short Medium Long **Value chain:** Upstream Own operations Downstream

**Type of IROs:** Negative impact Positive impact Risk Opportunity