

# CAPITA

The Capita Group Plc CR Report 2007

An integrated approach to CR





# Managing our business responsibly

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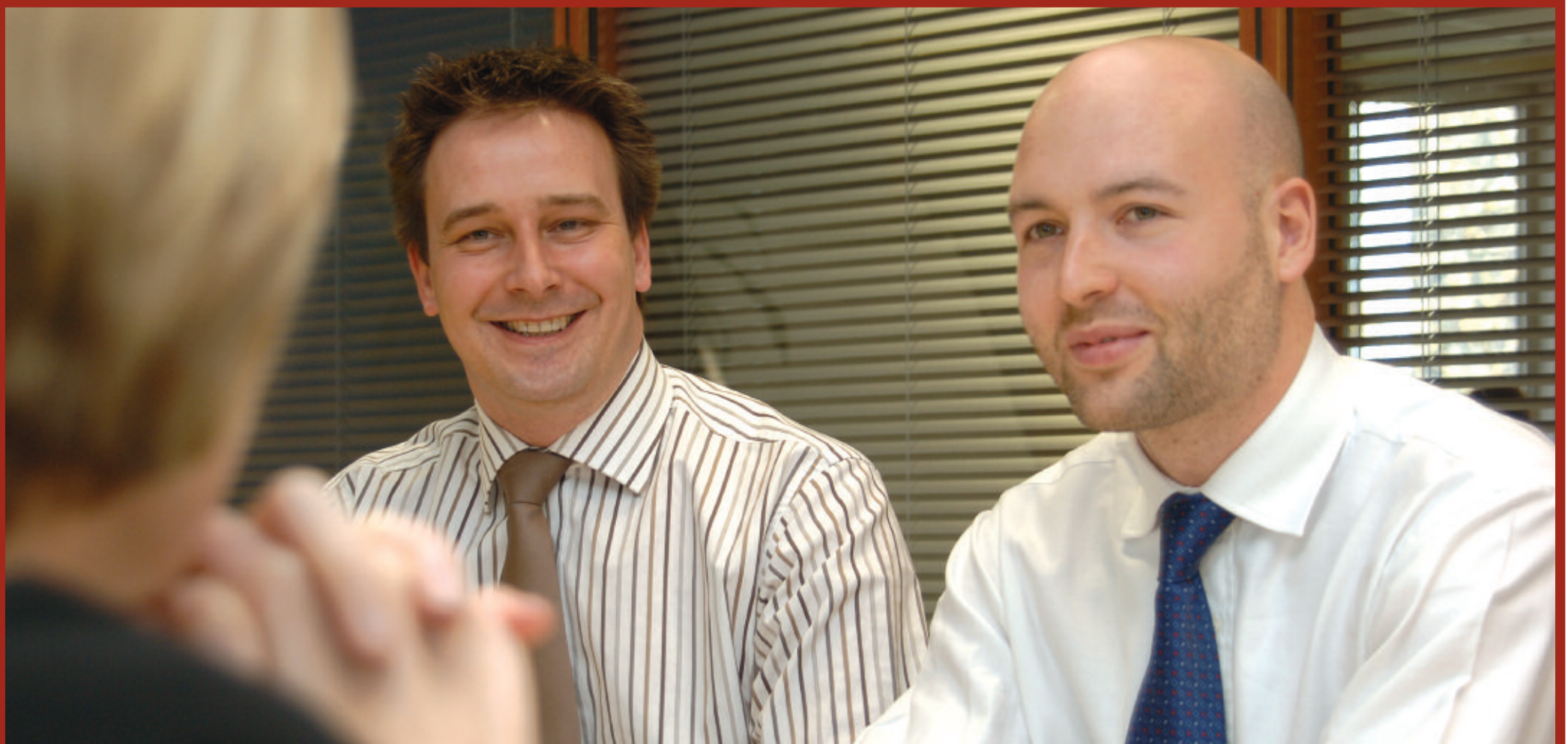
Ensuring quality of service for our clients:  
Find out how our working processes  
meet Prudential's and other clients' needs,  
see page 11 →



Diverse service offering + Outsourcing expertise = Added tangible value

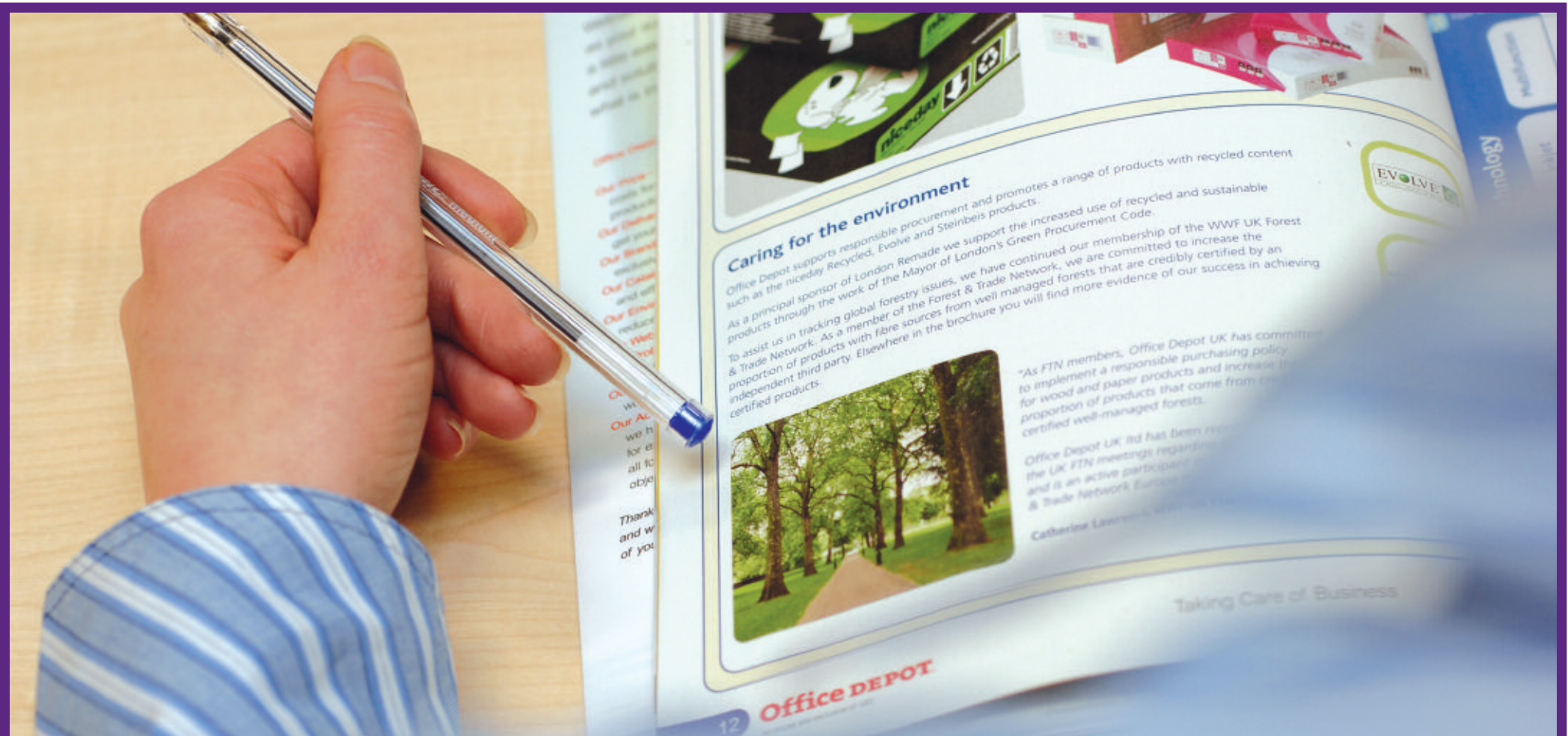


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**Staff ambition + Training initiatives = Career development**

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Strong supplier partnerships + Strategic procurement = Improved efficiency and cost savings



**Benefiting our communities:**  
Read about our work with local communities, including our Helping Hands project in Mumbai, see page 18 →



Addressing local needs + Staff volunteers = Improved education

**Reducing our environmental impact:**  
We have a number of initiatives in place to reduce our environmental impact across our businesses, see page 21 →



Measuring our carbon footprint + Introducing energy saving initiatives = Reduced environmental impact

## Capita at a glance

Capita is the UK's leading provider of business process outsourcing (BPO) services. We support, transform and manage our clients' business operations in a wide variety of markets.

## Transforming service delivery

Our work transforms service delivery, increasing quality and driving down costs, helping our clients meet their customers' needs and stay at the forefront of their markets.

Working with clients in both the public and private sectors in the UK and Ireland, our core role is to provide efficient back office administration and frontline customer services. This leaves them to focus on their core business drivers and strategies.

Helping our clients succeed enables us to grow consistently and profitably, creating a sustainable business that delivers value to all our stakeholders.

## Our growth opportunity

We operate in and lead the market commonly known as the business process outsourcing (BPO) or professional support services market, the long term contracting out of non-core business processes to an outside provider to deliver enhanced services in a cost effective manner.

We focus on the UK and Ireland where there are significant opportunities for growth.

## Total UK BPO market p.a.\*

Today:

£5.1bn

1. Public £1.7bn 33%  
2. Private £3.4bn 67%



Potential:

£94.8bn

1. Public £37.7bn 33%  
2. Private £63.1bn 67%



## Our services and markets

### We deliver these services:

- Business process outsourcing (BPO)
- Customer services
- Administration and support
- Human resources
- Information and communications technology (ICT)
- Property consultancy
- Finance and treasury
- Consultancy and change management

### To these markets:

#### Private:

- Life and pensions
- Insurance
- Financial services
- Other corporate

#### Public:

- Central government
- Local government
- Education
- Transport
- Health



## How CR supports our business goal

At Capita our business goal is straightforward – to continue to develop Capita as a long term, sustainable business which can deliver value to all our stakeholders.

“This CR Report demonstrates how we manage our business responsibly and aim to integrate CR into every aspect of our business.

The report communicates our approach to CR and provides some examples of what we are doing to fulfil our responsibilities to our clients, our people, our suppliers, the communities in which we work and the environment.”

### To deliver our goal we focus on five key business strategies:

- Achieving a good return for our shareholders
- Delivering operational excellence and added value for all clients
- Creating a supportive, rewarding and inspiring environment for employees
- Developing mutually beneficial relationships with suppliers
- Making a positive impact on the communities in which we work and reducing our environmental impact through socially responsible business practices.

Our CR strategy aims to support the achievement of our business goal through: implementing Group-wide CR policies and processes, developing CR initiatives appropriate to the business, actively managing CR-related risks and issues and engaging and communicating with our employees on CR issues.

### To achieve this strategy we have focused our CR activities around five key priority areas:

1. Ensuring quality of service for our clients
2. Supporting our people
3. Managing our supply chain responsibly
4. Benefiting our communities
5. Reducing our environmental impact

How we set our priorities is detailed on page 10.



Paul Pindar, Chief Executive

## How does our approach to CR benefit all our stakeholders?

### Shareholders

#### Our shareholders expect and benefit from us building a sustainable business in a responsible way

We seek to meet their expectations by:

- Focusing on the strength of our governance and the manner in which we do business to support our growth
- Constantly seeking new ways to grow our business in a responsible way
- Focusing on how we build a profitable business for the long term.

### Clients

#### Delivering operational excellence and adding value for clients

Our clients expect us to operate our business responsibly, and by building a sustainable business model we believe we will be able to meet their needs both now and in the future.

We concentrate on:

- Using innovative ideas to offer our clients' cost-saving solutions
- Treating our clients and their customers fairly and acting with integrity to enable us to develop and expand long term relationships
- Ensuring we have good control and robust governance in place through our internal structure and processes
- Identifying, managing and mitigating any risk for the business, our clients and their customers
- Sharing our scale and helping to reduce our clients' resource requirements, including their carbon footprint.

### Employees

#### Creating a supportive, rewarding and inspiring environment for employees through socially responsible business practices

Socially responsible behaviour runs throughout our business, helping us to attract and retain good quality people and clients.

To meet both the needs of our people and our business we:

- Invest in our people, ensuring they have the right skills to do their jobs effectively and providing career development opportunities
- Continually enhance our vetting process to safeguard our customers and other employees
- Recognise the value of diversity
- Provide opportunities to engage in charitable and community activities, benefiting our business through skills development and creating a motivated workforce.

### Suppliers

#### Developing mutually beneficial relationships with suppliers

By developing mutually beneficial, quality relationships with our suppliers and contractors, and being aware of how they conduct business, we have access to the right resources on competitive terms. We focus on:

- Understanding our supply chain, working with our suppliers to raise standards and manage any risks
- Achieving value for money on our expenditure, reducing waste and duplication to ensure effectiveness and efficiency
- Using our suppliers' expertise to source more environmentally sustainable products and services.

### Communities and Environment

#### Making a positive impact on the communities in which we work and reducing our environmental impact

We recognise the business benefit of integrating environmental management into our core operations and measuring and reducing our environmental impact.

Our focus is on:

- Actively managing our resources to ensure they are used efficiently and responsibly
- Supporting the local communities where we operate, helping to make a difference where possible whilst positively influencing our employees, their recruitment and retention.

## Our CR priorities

CR is a core element of our business strategy, and is integrated into our operational and governance processes.

We recognise the impact we can have on society and how this can influence our business.

### Five CR priorities

When we talk about CR at Capita, we focus on five key priority areas:

- Ensuring quality of service for our clients
- Supporting our people
- Managing our supply chain responsibly
- Benefiting our community
- Reducing our environmental impact.

Our continued growth is aided by the way we quickly and positively adapt to change and opportunity in the marketplace, in our clients' operations and within our Group businesses. This ability to take advantage of change and prioritise opportunities, by deploying resources appropriately, enables us to take advantage of change, stay ahead of the competition and remain the leading provider in our market.

We apply the same prioritisation of issues and resources to the management of CR at Capita. We do this by focusing on what is material to our business and to our key stakeholders: clients, employees, suppliers, investors and the communities in which we work. We can then make measurable improvements in the areas of activity which matter most to the Group.

Our priorities are driven by:

- Good business practice
- Client and employee requirements
- Statutory or regulatory requirements
- Cost consideration
- Efficiency gains.

### How do we know what is important to our stakeholders?

As we are focused on delivering service excellence to our clients, their needs are fundamental to the priorities we identify for CR. Clients demand consistently high quality of service, support and environmental responsibility. They also expect a strong focus on employee development, particularly where they have transferred members of their own organisation to us. We aim to satisfy our clients' requirements and to continuously improve our CR performance in line with their expectations.

As part of the bidding process, clients often explore our approach to managing CR. Their feedback enables us to review and improve our policies and practices to offer the highest level of CR probity to clients, particularly those operating in the public and financial services sectors due to their specific requirements.

Our investor communication programme gives us direct feedback from investors on a broad range of business issues, including CR. As we are a 'low impact' organisation, our CR approach to clients and our governance structures tend to be of more interest to investors than environmental or community issues.

What our own people think about our CR programme is also of crucial importance. Through surveys, direct feedback and other regular employee communication, we are able to tailor our approach where appropriate.

Many of our people, are motivated not only by commercial considerations but by being part of an organisation which gives something back to the local community. We respond to this desire by creating a strong focus on community engagement alongside employee wellbeing and career development. Our response to this desire helps motivate them to work to their highest potential and contribute to the success of the Group.

All these factors make good business sense, and are key to our strategy for sustainable growth.

### How do we refresh our CR programme?

Ongoing dialogue with employees, customers, investors, suppliers and the communities in which we work has helped us to identify our CR priorities. We review and re-address them where necessary to reflect our stakeholders' ongoing requirements.

Changes in the global, commercial or operational environments may influence our overall focus as well as our individual CR programmes in relation to clients, the environment, our people, community relations and suppliers.

The review process aims to ensure our CR programme is responsive to both internal and external influences, and aims to satisfy the needs of our key stakeholders.



## Ensuring quality of service for our clients

How we operate in the marketplace is key to our success. Our clients expect us to act responsibly in the way we meet their expectations, meet regulatory and legislative requirements, deliver real value for their business and customers, and continue to grow our business.

## How do we manage client relationships responsibly?

Our job is to help our clients operate their services more efficiently and meet their own stakeholders' changing needs, and to do so in a responsible manner.

By taking care of their back office operations and, increasingly, their customer services we allow them to concentrate on their core business and growth strategies.

They benefit in three ways:

- More satisfied end users
- Reduced costs
- Added value to the organisation as a whole.

We work closely with each new client to understand how we can support and reflect their particular values.

This includes their approach to corporate responsibility.

We believe that part of our responsibility to clients is to be selective about the opportunities we pursue: we will only take on operations where we believe we can deliver real value and meet customer expectations. Once we engage with a client, our robust internal processes help us identify and deploy the resources required to deliver the project successfully.

We earn our clients' trust by working hard on creating and growing our partnerships over time. We believe open dialogue, clear expectations and the ability to adapt to changing circumstances are key to maintaining good client relationships.

A common concern for potential clients is that they will have less control over a contract if they outsource. In fact the reverse is often the case, as the accountability built into our contracts can give them more effective oversight of their outsourced services. We continually review our processes throughout the life of a contract – improving them where necessary – to ensure ever better service for both our clients and their customers.



## Added value to Prudential's supply chain

Responsible business  
practices

High levels of service

## Prudential: positive CR assessment

We deliver a range of life and pension sales and administration services for Prudential UK's business.

We've been successfully providing a full range of services for Prudential's international cross border life assurance portfolio of new and existing business since 2003. And in 2006 we signed an outsourcing agreement to deliver end-to-end support for Prudential's UK life and pensions business from their Belfast operation.

In November 2007, we signed an additional contract to administer 7 million mature life and pensions policies including group and individual pensions, investment bonds and life and endowment policies. The contract is worth approximately £722m over 15 years.

**"Our Corporate Responsibility assessment of Capita has been positive. The scores achieved suggest that Capita has made a commitment to managing its business in a responsible manner and highlights the added value it brings to the Prudential supply chain"**

Duncan Mosely, Director-Strategic Sourcing,  
Prudential UK & Europe.

**Meeting our regulatory and legislative requirements**

Increasingly we are operating within business areas that are regulated. For example, we provide administration and customer services to 22 million UK policyholders and need to make sure we meet our regulatory and legislative requirements. The Financial Services Authority (FSA) has made 'Treating Customers Fairly' (TCF) a key initiative over the last few years, an example of their moving to a more principles-based form of regulation. This initiative represents a major consideration for Capita's three divisions that operate across the financial services sector.

We have undertaken a significant amount of work during 2007 to ensure that TCF as a cultural driver is firmly embedded in individual business units, and that measures are in place to deliver relevant information on the treatment of customers to the senior managers of those businesses. Work will continue throughout 2008 to ensure that we have appropriate management information systems in place to support our clients and meet our regulators' expectations.

**Managing and monitoring client satisfaction**

Client satisfaction is essential to our business: the most efficient way for us to win business is to extend or renew existing contracts. We aim to achieve high standards of delivery and meet their expectations.

The varied nature of our client relationships makes it difficult to assess satisfaction in a uniform way or set common performance indicators, so we put in place the most appropriate quality monitoring in each situation.

For each contract, we agree service standards and key performance indicators to measure the improvements in service for both clients and their customers. These are regularly reviewed by the client, whose views are reflected in monthly management reports.

For our transactional businesses, client review mechanisms are embedded in the sales and delivery process.

End users participate in satisfaction surveys, which often measures how their perception of the client has changed as a result of service improvements.

9

**Years**

Average length of client contracts.  
[2006: 9 years]

55

**Business centres**

Our extensive infrastructure of business centres onshore, nearshore and offshore, allows us to deliver services in the most effective and appropriate way.  
[2006: 52 centres]



+



=

**Service  
excellence****Attention to detail****Sustained service  
improvements****Recognised for service excellence**

**Computing Awards for Excellence** Outsourcing Project of the Year and IT Professional of the Year Award – Service Birmingham and Birmingham City Council.

**National Customer Service Awards** Customer Service Contact Centre of the Year Award (up to 100 seats) – Zurich Customer Contact Centre team in Swindon.

**Charter Mark** Capita Symonds for excellence in customer service.

**Investor in Customers** Capita Hartshead (first pensions administrator and only the second British company to win this).

**Customer Contact Centre Excellence Awards** Best outsourced partnership and best outsourced contact centre – DSGi contract.

## Supporting our people

Our employees are crucial to the success of our business. We aim to attract, develop and retain talented, ambitious people so that we have the resources to help our clients and grow our business. To do this, we aim to make Capita a safe, open, friendly, positive and rewarding place to work.

Twenty years ago we employed just over 100 people. Today we have over 29,000. Numbers have almost doubled in the last five years and we have a fast growing workforce in India.

To reach our full potential we must consistently get the best out of our employees. We must ensure our managers have the right training and knowledge to embed Group policies at local level. We must empower them to make decisions locally and to respond quickly and efficiently to clients' needs or specific business issues.

### How do we attract the right people?

Being able to attract the right talent in a fiercely competitive market is important. As the Group has evolved, we have been able to offer more opportunities to our employees, making us increasingly attractive to people looking for a challenging and varied career. Our success and financial strength mean we can also offer a stable, inspiring and rewarding workplace. We also vet all new employees and have a risk-based vetting programme providing higher levels of screening in certain businesses (such as financial contracts).

In addition to direct recruitment, the 70% of people who transfer to us under new outsourcing contracts or through acquisitions bring us a constant flow of talented and experienced people.

### How do we retain and develop our people?

To maintain the growth of our business, we need to demonstrate the ability to deliver consistent, reliable service. To do this we must be able to retain key people and give them appropriate training. To ensure they have the right skills to deliver quality service we give them three main types of training:

- Specific job-related skills
- Personal development
- Professional qualifications – over 14% of our staff attended paid courses or achieved qualifications in 2007.

We provide training through the most appropriate channel – online, buddying, coaching or group instruction – mostly delivered by our own training business. We are committed to making training as flexible and individually tailored as possible. Over the last year several of our training modules have been made available on our intranet, including E-induction, online fraud prevention training and information security awareness training. In 2008, we will be delivering further training online.

# 82%

#### Overall employee retention

We aim to maintain employee retention at or above industry average\*. [2006: 82%]

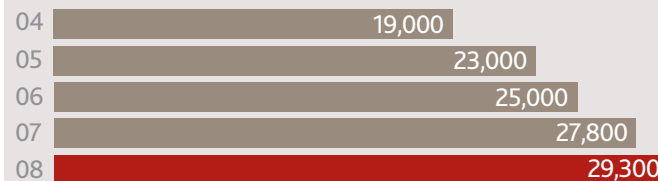
\*figures released by CIPD. (2007: 81.9%; 2006: 81.7%)

# 89%

#### Senior management retention

We attract and retain the appropriate level of senior management to drive the strategic direction of the Group. [2006: 91%]

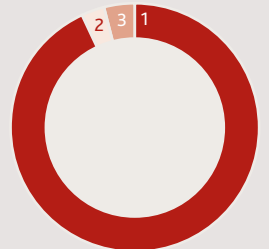
#### 29,300 Employee numbers



All figures as at end February

#### Employees by location

- |              |       |
|--------------|-------|
| 1. Onshore   | 92.5% |
| 2. Nearshore | 3.0%  |
| 3. Offshore  | 4.5%  |





## How do we manage and motivate our people?

Our structured approach to people development and leadership creates motivated, effective teams capable of high performance.

We empower business level managers to manage their teams successfully, and equip them with the necessary tools and training in leadership processes and procedures. Our leadership development programme, IMPACT, is supported by our CAPITAconnect intranet site, and our ideas-sharing culture is reinforced by transfers and secondments across the business.

We encourage an open culture, where ideas are aired regardless of position and shared across other, similar operations where they may add value.

### Recognising success

We offer original and motivating incentive schemes aligned with performance targets. We run an annual awards programme to highlight individual and team performance. These awards particularly reflect the attributes that are core to Capita's ethos: effective teamwork, innovation, service excellence and community engagement. We are currently reviewing this scheme to increase its relevance and the number of participants across the Group.

We have a comprehensive suite of flexible benefits and place great emphasis on encouraging employee ownership through our share savings and ownership schemes, with 20% of our eligible employees taking part in these schemes.

## Employee integration

Over two-thirds of our people have transferred to Capita as a result of outsourcing contracts or acquisitions. They bring with them a variety of cultures and working practices.

Our ability to manage employee integration through supportive transfer procedures is one of our greatest assets. Our employee strategy aims to inspire people and make their working lives secure, productive and enjoyable. Our dedicated team of transition and human resources experts manage the transfer process, before handing over to the operations team. The results speak for themselves, with improved sickness levels and employee retention after transfers, as well as transformed service standards.

1,300 employees are currently based in India. A further 1,250 will transfer later in 2008, doubling our offshore operations.

Wherever our people are based, we apply the same principles to all newly-transferred employees – and our Staffcare programme ensures they have the information they need to understand what transferring will mean for them. In India, for example, potential employees want to be reassured that we can offer sustainable career development opportunities, alongside more practical concerns such as support for travel to work.

### Equal opportunities and diversity

Capita's success is closely linked to our diverse, inclusive culture. In 2006, we published a new, combined equality and diversity policy covering all forms of discrimination including age, race, religious beliefs and gender. Our policies are designed to support and comply with all relevant UK, European and Indian human rights and employment legislation and meet International Labour Organisation standards. These policies are embedded in our training and operational procedures.

A key target in our diversity policy is to achieve employee profiles that reflect the local communities in which we operate. This can be a challenge when new employees transferring to us affect the existing profile.

Over the past year we have introduced the first stage of our Diversity Action Plan. This incorporates a new online diversity training tool on our intranet. We have also appointed diversity champions responsible for communicating messages throughout the Group as well as raising any concerns.

In a recent employee survey, over 90% of respondents stated that they were treated fairly regardless of disability, race or ethnicity.

The diversity plan also considers our suppliers' attitude to diversity, encouraging them to show evidence of diversity awareness training before contracts are signed.

### Our open door policy

We attach great importance to healthy, two-way communication – an open door policy across the Group is supplemented by more formal communication channels.

Where possible, issues arising at business unit level are resolved locally. If necessary they may be escalated via the monthly reporting process to the Divisional Executive Board.

Our people also have the opportunity to communicate their views in an annual employee survey.

Above all, we aim to foster a 'no blame', secure, rewarding and fun culture. Our research shows that this combination ultimately contributes towards achieving our business goals.

# 1,300

### Employees based in India

Our UK career development programmes have been tailored to the needs of our India operations.

# 17%

### Employees who work part time

A reduction of 7% from 2006 [24%] which is due to the end of Office Services contract, and subsequent transfer of employees out of the Group.

## How do we promote employee wellbeing?

We are committed to the health, safety and welfare of all employees, visitors and contractors.

### Health and safety

On joining Capita each employee receives a copy of our employee handbook which provides details of all our policies and employment practices. Each site has one, or more, Safety, Health & Environment (SH&E) advisers who support the site manager, provide guidance to line managers and liaise with the Group SH&E team.

The Group carries out SH&E audits every six months. All site managers are accountable for achieving minimum audit scores set out by the Group Board.

We run a range of internal and external health and safety training courses for all employees including job specific courses such as manual handling and safe driving. Over the last 4 years more than 370 managers have completed the Institute of Occupational Safety and Health (IOSH) Safety for Executives course, and 600 have attended Managing SH&E in Capita.

In March 2007, the Group SH&E team launched a SH&E induction DVD which provides basic safety, health and environment information, including information about how to deal with suspicious letters or packages. After watching the DVD employees complete a short test. Watching the DVD is just part of an overall induction process.

### Direct support

Last year five of our offices were affected by the severe flooding in Sheffield, Gloucester and Cheltenham. We provided a laundry service for our employees and their families, hygiene packs and discounts at nearby hotels. We also made a donation to the disaster relief funds that were set up in the areas to ensure that our employees would be provided with long term support in the future.

### Work-life balance

We have a family-friendly approach that recognises the needs of our diverse workforce. This encourages flexibility and helps our employees to manage the combined demands of their job and home life. Over 17% of employees work part time and our

flexible working arrangements allow job sharing, term time working, flexitime and working from home. We also offer time off for professional development and volunteering. We believe this approach benefits not just individuals but the Group as a whole.

### Health and safety record

Year	No. reportable accidents (RIDDOR)	Accidents per 1,000 employees	% Change
2007	58	2.05	-7.6
2006	58	2.14	+23
2005	42	1.75	-24
2004	45	2.29	+46
2003	26	1.57	+44



**Successful  
career  
development**

**A desire to develop**

**Corporate support**

### Supporting career development

Capita promotes career development through the most appropriate training. Amy joined Capita through the Capita Hartshead Graduate Scheme in our Sheffield office. In order that she might advance her professional development, Amy applied for learning support from Capita Hartshead to help her complete the pensions management associateship exams.

In line with Capita's approach to continuous improvement and professional development, Amy was fully supported in her studies. This sponsorship was both in financial and non-financial terms and included professional subscriptions, exam fees, tuition costs and learning materials. Amy also received additional paid study leave. Amy successfully qualified as an Associate Pensions Manager in the summer of 2007.

Last year over 14% of our staff took part in paid courses or received qualifications.

## Managing our supply chain responsibly

This year we have made suppliers one of our five key CR priorities. We recognise this as a growing area of importance for our business and clients. Capita views supplier diversity not as an obligation but as an opportunity that makes sound business sense. Diversity of suppliers plays a key role in a modern dynamic economy and they are an important source of new ideas, innovation and support.

Our supplier relationships are managed at two levels: through our Group Procurement Team for Group-wide contracts and at a local or business level where there is a particular category expertise.

We understand the importance of building reciprocal relationships with suppliers and benefit from a diverse range of 12,000 suppliers spread across our geographical markets – ranging from small, local businesses to large corporates. They include 23 large strategic suppliers, with whom we have established stringent service level agreements. We help them to reflect our responsible business practices and high service standards across their own businesses and supply chains.

The scale of our organisation enables us to negotiate favourable terms which reduce costs both for our customers and for our own internal operations. We recognise our responsibility to the communities in which we operate to offer the same opportunities to all suppliers. We are committed to developing locally based, small and medium sized suppliers and helping to build the economic wealth of the communities we serve.

# 41%

### Suppliers audited

41% of our suppliers have been audited under the Capita Supplier Programme.



Responsible purchasing



Supportive suppliers



## Reduced impacts

### Office Depot: responsible sourcing

During 2007 our Procurement Team have worked with our suppliers to source environmentally friendly products.

Through their work with Office Depot they have increased the proportion of environmentally responsible goods that Capita sites can now buy at competitive prices.

As a direct result of this initiative there has been a growing awareness and availability of environmentally friendly products and a corresponding increase in the purchase of these across the Group. For example, 58% of paper purchased in 2007 had environmental components against 21% in 2006.



## Understanding our supply chain

Our 'Capita supplier profiler programme' works on a tiered basis, removing barriers to entry for smaller or niche suppliers. Within the programme we define our ideal supplier, specifying not just technical capabilities but also culture and values, environmental credentials, health and safety record and commitment to CR. Our comprehensive profiling capability allows us to analyse potential suppliers of all sizes in any sector and ensure that all suppliers meet our CR, diversity and performance standards.

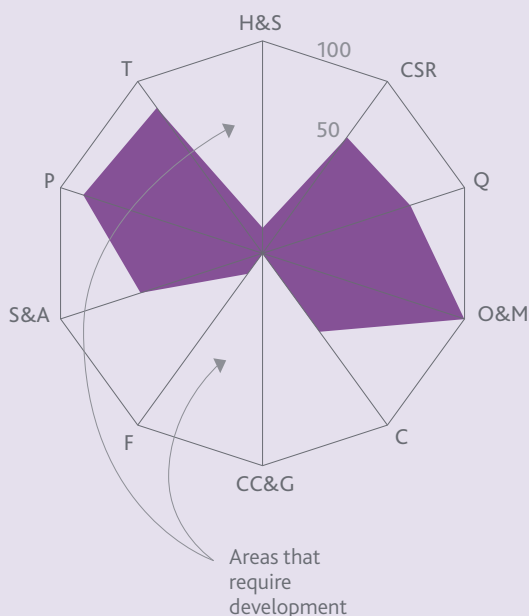
All the results are maintained on a comprehensive database, categorising suppliers by type of business and product or service, which ensures that we can readily meet client requirements for supplier information.

## Working with subcontractors and partners

We have a wealth of experience in working with subcontractors and partners, using their specialist skills to deliver the most appropriate and cost-effective services.

Under our subcontracting policy we apply stringent criteria when selecting subcontractors, manage all our suppliers and subcontractors according to the same principles, and ensure that they work within a fully integrated delivery and reporting framework.

Our Group Procurement Team's initiatives for 2008 include a review of our procurement policy and further development of the procurement community within the Group.



## Analysing suppliers profiles

This diagram shows how suppliers' profiles can be analysed. Every supplier can be reviewed and developed on a wide variety of issues from their quality systems through to technology and even their strategic alignment with Capita aims. We use these 'capability' profiles to determine and target training and support, where appropriate.



## AquAid

Through our Group Procurement Team we negotiated a contract with AquAid for the provision of water cooler and spring water supplies to the Group. AquAid make a donation to Christian Aid for every water bottle sold, and to Pump Aid who install elephant pumps in Africa for every mains fed machine installed.

Andrew Bartlett, Group Procurement Manager, said "As a provider of key services to the public, we are committed to making a positive contribution to society. We were attracted to AquAid because of the charity ethos by which they operate and wanted to support their links to water projects in Africa."

Since our partnership with AquAid began in 2004 we have donated over £20,000 to Christian Aid and paid for the installation of 476 elephant pumps in Africa.

## Benefiting our communities

**Delivering support services places us at the heart of the communities we serve and brings us into daily contact with those who benefit from our services and the jobs we create.**

However, the positive effects of economic and social change do not reach everyone. One of our aims is to help to tackle this exclusion and, wherever possible, contribute towards improving the quality of life in the communities around us.

We actively encourage and support our employees to engage with local communities so that we can make a beneficial contribution to society. This, in turn, contributes to morale and productivity and pride in working for the Group.

Our community investment and engagement programme focuses on two areas: local community partnerships and charitable initiatives. It is applied at two levels; through a central charity team at Group level and through operating business units at local level.

We encourage and empower our businesses to invest in their local communities by identifying appropriate investments that contribute to a more inclusive society. We also work with external partners such as Business in the Community (BITC) and The London Benchmarking Group (LBG) to help us maximise our resources.

## Local community partnerships

We implement this part of the programme both through our strategic partnerships with clients, and through support from individuals or teams in our local offices or business centres.

The clearest benefit to local communities from our strategic partnerships with local authorities is the work we do together to improve and transform services. This is only the start.

Our investment in local area regeneration can mean actual physical regeneration of an area, as well as creating more jobs for local people, providing work for local suppliers and contributing our support, expertise and time to local community projects. This investment will ultimately lead to more prosperous and sustainable communities.



**Targeted  
investment  
in local  
communities**

**Identifying local needs**

**A partnership approach**

## Service Birmingham: community engagement

Through our partnership with Birmingham City Council, Service Birmingham, we are involved in a whole portfolio of projects which benefit the local community.

- We are seeking to set up a training facility in the City to encourage the development of skills and experience with businesses and the voluntary sector. The area will also be used to house an Innovation Centre, to showcase new and emerging technologies in conjunction with our partners and other organisations such as universities.
- Working with Connexions to run training course for interested staff and to engage with two local schools to help pupils attain better results in their GCSEs.
- Tackling homelessness by supporting the new Government initiative 'Places for Change'.
- A charity fund has been set up to invest in local charitable events nominated by Service Birmingham employees.

As a local employer we are continually approached to support community projects in the areas where we work. We encourage our employees to support projects that directly benefit their local community. Some of the projects we have engaged in over the last year are:

- Employees volunteering their time as marshals, making sure local children get to and from their local mosque safely
- Transforming an overgrown shrubland into a wildlife flower garden with an allotment
- In Wales our property consultancy business has trained six ‘Construction Ambassadors’ who are involved with promoting construction and civil engineering in schools
- Working with the Social Mobility Foundation, providing opportunities for young people to gain business experience through internships.

Charitable initiatives

Our objective across our charitable initiatives is to support projects that address social exclusion, whether this is due to illness, disability, or economic or personal circumstances.

Group-wide initiatives

2007 marked the end of our successful partnerships with The Prince’s Trust and the NSPCC. Our partnership with these two charities raised £1.55m and generated a further £1.7m through our sponsorship of events run by the charities. Capita’s employees have provided support through fundraising and sponsorship and by volunteering their time to The Prince’s Trust programmes.

We have continued to organise a number of Group-wide initiatives to encourage employee engagement, including Charity Week, Capita Challenge and support locally-run events to raise money for our corporate charities. We also provide matched funding for individual employee and team fundraising initiatives. This year we have been working with professional fundraisers to help promote our Give As You Earn scheme, increasing uptake of the scheme by nearly 50%. We are working towards achieving the Silver Payroll Giving Quality Mark by the end of 2008.



**Business in the Community (BITC)**  
We are members of Business in the Community working with them and other members to improve the impact we have on society and the environment.



**London Benchmarking Group (LBG)**  
We also work with the London Benchmarking Group to help measure our corporate community investment.

Charitable donations

Year	£m
2007	0.5
2006	0.5*
2005	0.4
2004	0.3
2003	0.2

\*Including corporate donations for disaster relief after the earthquake in Pakistan



**Corporate charity partner**

In response to employee feedback, we reviewed our corporate charity partnership this year and refreshed our approach to gain further employee engagement. We asked all our employees to nominate national charities that fit our criteria and address social exclusion.

These nominations went through a detailed shortlisting process to ensure fit with the Group's requirements. Employees then voted for one of three shortlisted charities. Macmillan Cancer Support was selected by a clear majority to become our new corporate charity partner for the next two years. As employees have been fully involved in the selection process we expect to see even greater engagement in the partnership.

**Developing our community and charitable involvement**

As our business expands and changes, our community programme will grow to reflect these developments. With continuous employee consultation, we will refresh and widen our programme – supporting our corporate charity partner as well as local charities (where our corporate charity is not represented) and specific local projects.

We have already set up community initiatives in India, where we will have 3,000 employees by the end of 2008. This includes providing support for an orphanage and its school. We work very closely with our operations in each new area to identify the best way of contributing to the community in that locality.



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**Improved  
opportunities**

**Focusing on the  
disadvantaged**

**Staff volunteers  
supporting education**

**Mumbai: addressing local needs**

Capita's commitment to helping the vulnerable and disadvantaged in the communities in which we work has been embraced by our business centres in Mumbai, India.

Employees at our Andheri office in Mumbai launched a partnership with 'Handmaidens of the Blessed Trinity' – a home run by Catholic nuns for children from single or separated parents, street children and orphans. The nuns also run a school in the same building, providing education for 330 slum children aged between 2 and 11.

Employees regularly volunteer their time at the home and have organised camps to provide healthcare for the children. Money raised by Capita employees has paid for doctors to carry out blood, eye, dental and skin tests, and also paid for prescriptions for those children who could not afford treatment. The team are now working on a project to fund work on the school building in preparation for the monsoon season. To date the project has been a great success, giving underprivileged children the chance to succeed in one of the most challenging cities in India whilst increasing awareness amongst our people across the Group.

## Reducing our environmental impact

Our 'low' FTSE4Good environmental impact rating reflects the nature of our business. Capita has an inherently lower environmental impact than many large organisations in other industry sectors. Nonetheless, we understand that good environmental management must be integral to our business and we make every effort to minimise the impact of our operations.

### How do we manage and measure our environmental impacts?

We have a Group environmental policy and an environmental code of practice for suppliers. Board level responsibility rests with the Group Finance Director, Gordon Hurst.

We continue to measure key environmental impacts as part of our monthly site reporting. We have a full time resource managing this function, supported by a network of site managers, site SH&E Advisers and FM managers. In the past year we have worked hard to enhance our data collection, and we will continue to make further improvements.

We now have over 300 sites in the UK, Ireland, Channel Islands and India. At our own sites, or where we are sole occupants, we aim to adopt and promote good practice in areas such as:

- Energy use
- Transport
- Waste management
- Recycling
- Building specifications
- Implementation of ISO 14001.

At most of our offices we do not have overall control of the site, typically sharing it with other tenants. Wherever possible we work in partnership with the property manager, our clients, other tenants and subcontractors to positively influence the environmental performance of our projects.

### What are we doing to combat climate change?

#### Energy reduction across our sites

Climate change is a growing challenge for business. Our most significant climate change impact is energy use, and over the past year we have launched a Group-wide programme to reduce this.

In 2006, we set a target of reducing energy use by 12% at our 20 largest sites by 2008. We are progressing well towards this target; with an overall saving of some 8% across 18 sites (due to consolidation of sites). The total reduction to date of over 3m kWhs equates to an emissions reduction of just under 1,000 tonnes of CO<sub>2</sub>.

Encouraged by the success of this programme, we are rolling it out across the rest of the Group – starting with the other 73 sites that have Group electricity or gas supply contracts.



#### Engagement with the Carbon Trust

We have been working with the Carbon Trust, which has provided technical support and helped train the facilities managers at our sites in the energy reduction programme.

**-1,000**

**Tonnes of CO<sub>2</sub>.**

We have reduced our energy use by 3m kWh which equates to just under 1,000 tonnes of CO<sub>2</sub>.

**= 58,523**

**Tonnes of CO<sub>2</sub> – our carbon footprint**

We continue to measure and assess our carbon footprint to reduce our impact on the environment.

**-8%**

**Energy use**

We have reduced our energy usage by 8% across 18 sites (due to consolidation of sites).

**Engagement with the Carbon Trust**

We have been working with the Carbon Trust, which has provided technical support and helped train the facilities managers at the sites in the energy reduction programme. All site managers have been given a list of energy-saving tips to implement; these include reducing lighting levels where possible, removing redundant light fittings, replacing all tungsten filament bulbs with compact fluorescents, improving lighting controls, and reducing heating and air conditioning set points and operating times.

**Hugh Jones, Solutions Director, the Carbon Trust**, comments on our approach:

"Having established a baseline carbon footprint, Capita was committed to reducing its carbon emissions across multiple sites. Through a series of carbon surveys the energy being used was identified and recommendations made on effective strategies to reduce the carbon footprint across key sites. This included improvements in energy management, improvements in data collection and analysis, higher efficiency equipment and improving employee awareness."

To further reduce our carbon footprint and increase employee engagement we are about to launch Capita's 'green pages' on our employee intranet. This will include information on what our employees can do at work and at home, as well updates on what the Group is doing to reduce our environmental impact. Employees will also be able to calculate their own personal carbon footprint.

**Transport management**

Our other significant environmental impact is transport. Our company car policy states that all new and replacement company cars will be diesel, and 95% of our fleet cars are now diesel. This policy is undergoing a review to reflect changes in health and safety liabilities, to keep it attractive to employees, and increase incentives to reduce carbon emissions by improving the flexibility for drivers to trade down to a lower emissions car.

We try to reduce car travel generally and have continued to promote the use of our BT conference call facility throughout the business – over 34,000 conference calls were made over the last year, a third more than in 2006, saving both time and money.

Several of our offices have a 'green' travel plan. Alongside this we also support local initiatives such as lift sharing and shuttle buses to and from our offices. We are also evaluating the introduction of the Government's Cycle to Work scheme.



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= **70%**  
Improved  
efficiency

Addressing the need  
to reduce energy  
consumption

Innovative server  
management

**New World Server project:  
saving energy with virtual servers**

Many of our client contracts involve IT infrastructure, and two years ago we recognised that our approach to server management was needlessly expensive: many servers were running at only 10% utilisation.

We decided to invest in a new data centre using consolidation, standardisation and virtualisation to provide a 'best in class' data service for all future business. As a result we now run our server estate at 80% utilisation, significantly reducing energy use as well as costs. We aim to have 1,000 virtualised servers running in this environment by the end of 2008.

### How are we managing waste?

We actively manage the resources we use and how we recycle or responsibly dispose of them. Responsibility for this is shared by our SH&E and Procurement teams.

#### Over the last year we have:

- Worked with our suppliers to source more environmentally responsible products
- Developed more effective waste management policies
- Focused on influencing our suppliers' environmental impacts by revising our procurement policies and detailing the standards of behaviour required when dealing with suppliers
- Run recycling schemes across the Group to ensure our IT equipment, toner cartridges, mobile phones and paper are either recycled or responsibly disposed of in line with the EU WEEE Directive.

Last year we collected over 8,000 units through the Digital Pipeline Initiative, set up to donate our redundant IT equipment to schools and community centres in developing countries. Additionally, we help to sustain employment for people with disabilities as Life Cycle Services, who manage this service for us, work with Remploy.

**34,000**

#### Conference calls made

We try to reduce car travel generally and have continued to promote the use of our BT conference call facility throughout the business. [2006:21,600]

**8,000**

#### Pieces of IT equipment donated

We set up an initiative to donate our redundant IT equipment to schools and community centres in developing countries. [2006: 5,000 donated]



## Move towards Carbon Neutral status

### Working with Resolution

### Implementing greener policies

### Resolution goes neutral

Capita staff working on the Resolution contract in Glasgow and Wythall are supporting Resolution in their Carbon Reduction project. In 2006, Resolution started the project by determining the size of its actual carbon footprint, and since then they have taken significant measures to reduce their emissions. These include creating greener policies for the business. For example, all paper bought is now recycled, a higher proportion of renewable energy procured, and staff are encouraged to take a greener approach to the way in which they work, including switching off unused IT equipment, recycling more and reducing waste.

Once significant reductions in carbon emissions are achieved, Resolution also intends to invest in verifiable carbon offset schemes to offset its remaining emissions and become carbon neutral.



## Managing governance and risk

We have a robust governance structure that encompasses all procedures and policies that govern the Group and its operating business units. Responsibility for drafting and implementing policies and procedures is assigned to key functional heads within the Group. These are then developed through a number of cross-Group forums.

Changes to policies and the introduction of new policies is discussed and approved by the Divisional Executive Board, and raised and agreed at Group Board, where appropriate.

### Statement of Business Principles

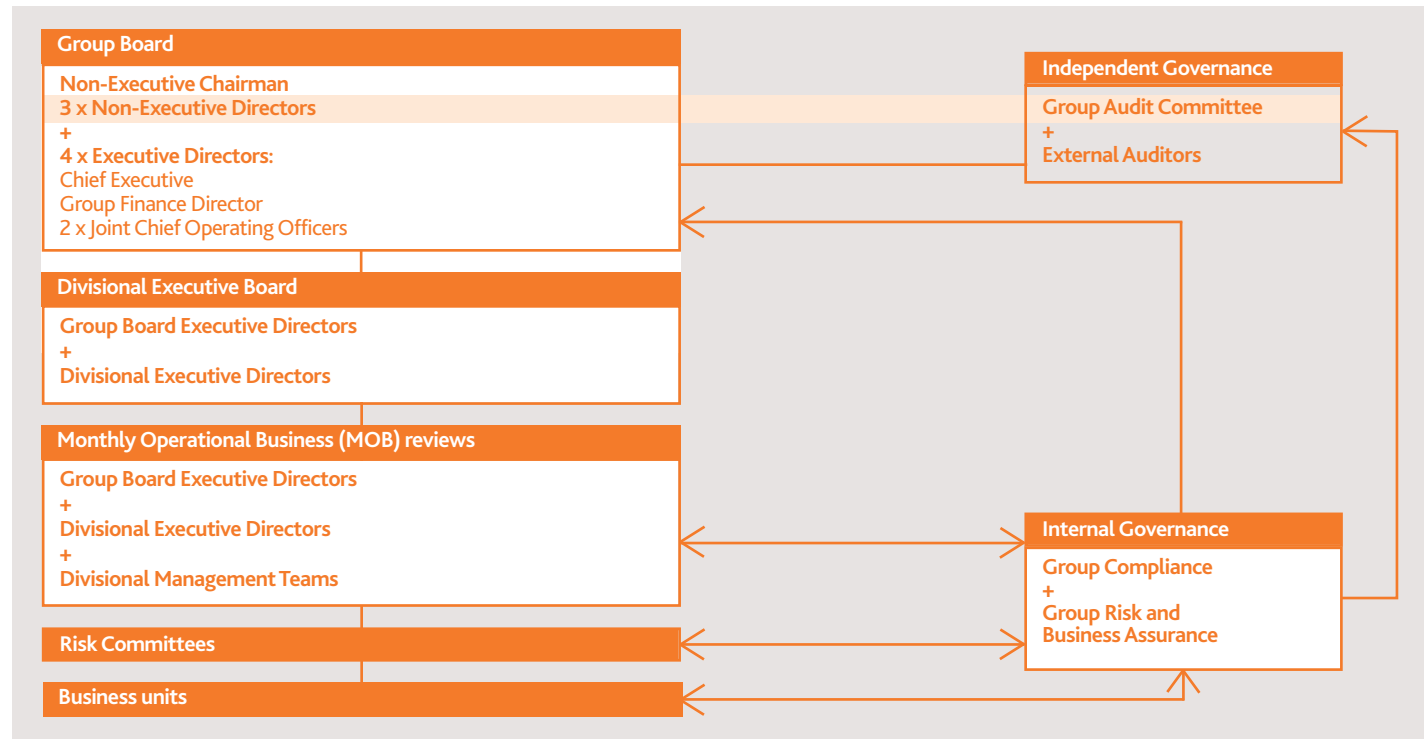
Capita's Statement of Business Principles sets out our code of conduct for all employees working on behalf of the Group in their dealings with our stakeholders. The code is communicated across the Group and forms part of the induction training for all new employees. It is published internally on the staff intranet, as well as externally on the Capita website.

### Risk management

Capita operates a risk management framework that applies across the Group's business in which operational and reputational risks feature. Systems and procedures are in place across the Group to identify, assess and mitigate major business risks that could impact on the delivery of our growth strategy.

Monitoring our exposure to risk is an integral part of the monthly reporting process. Across our regulated businesses this is supplemented by formally constituted committees. At Group level, risk management is independently facilitated and challenged by the Group Risk and Business Assurance function, which reports to the Group Finance Director and independently to the Audit Committee.

We are required to report on environmental and social issues affecting our business in line with the EU Accounts Modernisation Directive, and these are contained in our Annual Report and Accounts 2007. We continue to identify, evaluate and manage risks, including CR risks, faced by the Group and within our operations.



**Mitigating CR risks**

Our robust CR risk management processes cover risks such as those associated with attracting and retaining employees, maintaining appropriate supplier relationships and combating fraud. One area of CR risk that is critical to our customers and the reputation of the company is the safeguarding of data security.

**Protecting customer data**

Providing clients with a secure environment for their customer data is essential. We aim to maintain the highest standards of data security for them, while respecting their customers' data protection rights. Protection and proper disposal of customer data is embedded in our business processes and IT strategy.

Data protection is an increasingly critical issue, not only for our employees but also for our clients and the contracts we run. Group Risk are responsible for information security issues and they work with other parts of the Group (such as Group IT) to keep abreast of new technologies and developments in this arena, which are then cascaded to the rest of the Group.

In December 2006, we established an Information Security Forum comprising our Group Risk team and information security professionals from across our business. Together they have developed a framework of Group policies which broadly conform to the ISO 27001 standard and reflect the requirements of the Payment Card Industry Data Security Standard (PCI DSS). The Group has also invested in various security techniques to protect our data, including encrypting all laptops, and in 2008 we will be rolling out encryption of all removable devices (such as memory sticks). To support a security aware environment, the Group has also invested in an online information security awareness tool that all employees are completing in 2008.

Despite having rigorous processes and procedures in place and a strong track record of handling data well, there will be occasional information security incidents. We take such incidents very seriously and fully investigate these to ensure lessons are learnt and if necessary process improvements and employee education are undertaken.

**CR governance and accountability**

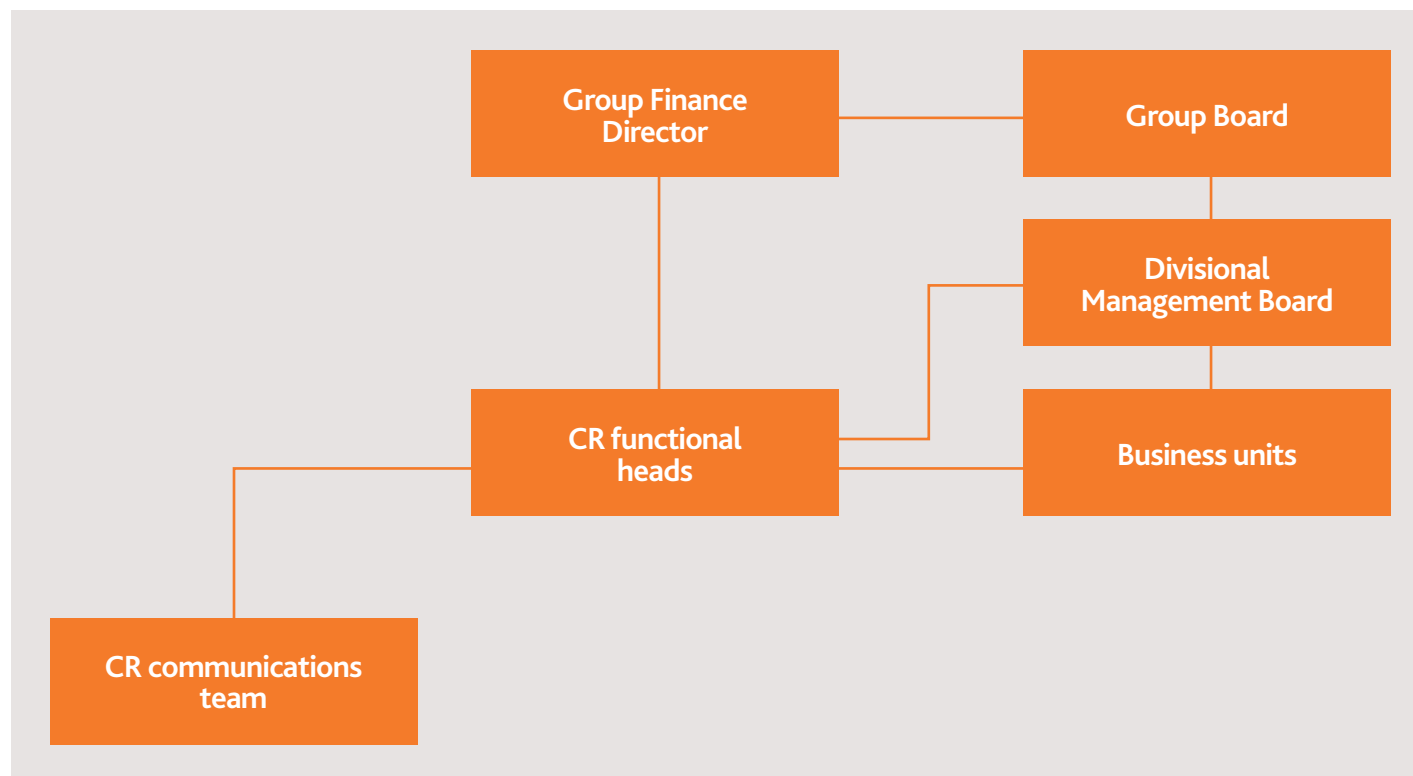
In 2007 we worked to further embed CR activities and policies across the Group, both within divisions and individual business units. Our governance structures for CR are well established and during 2008 we will be reviewing these further to ensure they reflect the growing and diverse nature of the Group's operations.

**CR governance structure**

Capita's Group Finance Director, Gordon Hurst, has Board-level responsibility for broader CR issues and risk management.

Specific responsibility for employees lies with Paddy Doyle, Joint Chief Operating Officer. Client service quality is the responsibility of Simon Pilling, Joint Chief Operating Officer. Community initiatives are championed by Paul Pindar, Chief Executive.

CR issues are raised annually at Group Board meetings and CR-related risks are also discussed by the Audit Committee.



## CR Key Performance Indicators

	KPI/Priority	Aim	2007	2006
Clients	<b>Building scale and capacity</b>	Continue to grow our infrastructure of business centres to meet the needs of our business	<b>55 business centres</b>	52 business centres
	<b>Managing resources well</b>	Maintain high retention rates for senior managers (earning over £90k p.a.)	<b>89%</b>	91%
		Maintain overall employee retention at or above industry average (81.9% <sup>1</sup> )	<b>82%</b>	82%
Our people	<b>Diversity of people</b>	To reflect the communities in which we work		
		→ Male/female split	<b>51% male/49% female</b>	51% male/ 49% female
		→ Male/female split for management (earning over £50k p.a.)	<b>62% male/38% female</b>	65% male/35% female
		→ Ethnic diversity (employees from ethnic minority groups)	<b>8% (based on 50% response rate)</b>	15% (based on 48% response rate)
	<b>Part-time working</b>	To provide flexible working hours while ensuring maximum flexibility in Group resources	<b>17%<sup>2</sup></b>	24%
	<b>Health &amp; Safety</b>	Ensure we provide a safe and productive working environment for all our employees	<b>58 reportable accidents (RIDDOR)</b>	58 reportable accidents (RIDDOR)
Our suppliers	<b>Create successful supplier relationships</b>	Audit all existing tier one suppliers against Capita's standards of business – 50% of suppliers to be audited by end of 2007	<b>41% suppliers audited</b>	Supplier audit commenced
Our communities	<b>Communities</b>	We aim to make a positive contribution to our local communities		
		→ Job creation to date	<b>4,700</b>	4,000
		→ Annual corporate charitable donations	<b>£0.5m</b>	0.5m
		→ Meet our target of raising £1.5m for our corporate charities NSPCC and The Prince's Trust by end 2007	<b>Raised £1.55m</b>	Raised £1.2m
Environment	<b>Socially responsible business practice</b>	Continue to measure our carbon footprint <sup>3</sup>	<b>58,523 tonnes</b>	Not available
		Reduce our overall impact on the environment – achieve 12% reduction in energy used at our 18 largest sites by 2008	<b>8%</b>	Target set
		Achieve further ISO 14001 accreditations at our higher impact sites	<b>37</b>	34
		Further promote Digital Pipeline initiative where used IT equipment is donated to developing countries	<b>8,000 pieces of IT equipment donated</b>	5,000 pieces of IT equipment donated

<sup>1</sup> CIPD 2007<sup>2</sup> Impacted by end of Office Services contract and subsequent transfer out of the Group<sup>3</sup> New benchmark established, to be measured annually

## CR targets and objectives

Clients					
Our focus	What we said	What we have done	Our progress	What we will do	The deadline
Client partnerships	Maintain high level of services to clients and their customers	Consistently aimed to meet or exceed our service level agreements Maintained our high client retention rate	Achieved	Maintain high level of client service and retention rate	Ongoing
	Continue to support CR objectives of key clients	Share relevant learning across the Group	Achieved	Continue to support clients on key initiatives and develop our approach to joint initiatives	Ongoing
Employees					
Our focus	What we said	What we have done	Our progress	What we will do	The deadline
Diversity	Implement Group Equality and Diversity action plan	Rolled out First Stage of Group Equality and Diversity action plan Began monitoring employee diversity through SAP HR	Achieved	Continue to monitor employee diversity.  Set up Diversity Champions Forum to communicate and promote diversity initiatives	Ongoing – quarterly review of statistics starting May 2008
Employee engagement	Continue existing relationships with Trade Unions and assess strategic relationships with other TUs	Signed Strategic Partnership Agreement with UNITE	Ongoing	Continue to develop relationships with Trade Unions and assess appropriate communications structure	Ongoing
	Continue to engage with employees across the Group	Undertook a Group-wide employee survey	Achieved	Develop a new Reward and Recognition framework that promotes staff engagement across the Group	December 2008
Talent management	Actively manage existing and new talent	Maintain low attrition of Senior Management	Ongoing	Career development for Senior Management through use of opportunities provided by our growth	Ongoing
Career development	Continue to provide career and job opportunities for all employees	Monitor percentage of jobs filled internally	Not achieved (All jobs are advertised internally. However it is difficult to monitor the statistics on those that are filled internally.)	Monitor levels of training undertaken by employees and managers and set target for improvement	Quarterly
Employee welfare	Ensure health and wellbeing of employees at work	Reviewed employee welfare policies against best practice. Guidelines issued to managers to educate and promote awareness	Ongoing	Continue to promote and monitor	Ongoing
				Promote and support initiatives related to staff benefits that demonstrate a commitment to environmental issues  Review the feasibility of introducing a Cycle to Work scheme	Ongoing  July 2008



## CR targets and objectives (continued)

Suppliers					
Our focus	What we said	What we have done	Our progress	What we will do	The deadline
Supplier performance	Continue to implement ethical and environmental procurement policies	Began review of our procurement policies	Partly achieved	Continuous review of policies Develop and issue best practice procurement processes and procedures that embed CR in the business	December 2008 and ongoing
	Continue to audit existing suppliers against Capita standards of business	Audited 41% of all suppliers	Partly achieved	60% of all active suppliers to be audited	December 2008
	Continue close monitoring of our strategic suppliers and ensure all strategic suppliers continue to review CR performance	Monitored our strategic suppliers through The Capita Supplier Programme	Achieved	Actively work with strategic suppliers to ensure continuous improvement plans and measures in place Increase targets for CR compliance	August 2008 and ongoing
Our communities					
Our focus	What we said	What we have done	Our progress	What we will do	The deadline
Charitable giving	Continue to support Capita's chosen charities and community projects, ensuring both business and social benefits	Raised £1.55m through our corporate charity partnership with NSPCC and The Prince's Trust Reviewed our corporate charity partnership following employee consultation	Achieved	Launch new corporate charity partnership with Macmillan Cancer Support New target set to raise £1m by end of 2009	December 2009
Matched funding and GAYE	Widen communications of charitable matched funding initiative and Give As You Earn	Reviewed our matched funding policy Worked in partnership with professional fundraisers to help promote GAYE scheme and increase uptake	Achieved	Continue to promote the GAYE scheme Aim to achieve Silver payroll giving award (5% of employees donating)	December 2008
Community investment and volunteering	Establish a community engagement framework	Completed a benchmarking exercise	Partly achieved	Continue to work with our employees to develop our community engagement framework	Ongoing
	Support and encourage Capita's employees to participate in volunteering and charitable work	Reviewed employee volunteering scheme Introduced two pilot projects with new charity broker	Achieved	We will review the two pilot projects. If they are successful we will roll out across the whole Group	May 2008
	Identify and support suitable community projects	Worked with projects in our local communities	Achieved	Continue to support projects in our local community Improve measurement of the projects we are involved in	Ongoing

## CR targets and objectives (continued)

Environment					
Our focus	What we said	What we have done	Our progress	What we will do	The deadline
Energy reduction	Achieve 12% reduction in energy used at 20 largest sites	Progressed well towards this target, achieving 8% reduction across 18 (now 18 sites due to consolidation) sites in year 1	Partly achieved	Continue to work towards 12% target Roll out energy reduction programme to next tier of sites Introduce monthly energy data reporting to top sites Replicate energy reduction measures introduced at our Basingstoke office to other office refurbishment projects	December 2008 and ongoing
Carbon footprint	Measure our carbon footprint	Measured our carbon footprint with assistance from The Carbon Trust	Achieved	Start quarterly internal reporting of the Group's carbon footprint by cost centre. Investigate options and costs for off-setting carbon emissions from our Offshore business	December 2008
Business travel	Promote the use of voice/video conferencing as an alternative to travel	Continued to promote BT conferencing, along with local initiatives such as lift sharing	Ongoing	Continue to promote the use of BT conferencing internally and with clients Publish new car policy incorporating vehicles in the sub 120gm/km category	December 2008
Waste management	Review existing recycling initiatives	Continued to promote recycling schemes for mobile handsets, IT equipment, paper and toner cartridges	Ongoing	Increase the level of recycling across all sites	December 2008
Group SH&E audits	Environmental audits will be undertaken twice a year	Audits undertaken, and targets set for minimum score	Ongoing	All sites to achieve a minimum score of 75% on the environmental section of their Group SH&E audits	Ongoing
Governance					
Our focus	What we said	What we have done	Our progress	What we will do	
Management and policies	Continuously improve Capita's management of CR issues	Established a sustainability working group	Ongoing	Establish a CR working group	
Monitoring and measurement	Continue to improve measuring and monitoring of Group wide CR performance	Reviewed CR data collection processes with help of an external partner	Ongoing	Improve our CR data collection processes	
Transparency and accountability	Improve stakeholder dialogue	Engaged with our stakeholders through client surveys, investor meetings and employee surveys	Ongoing	Continue to engage with our stakeholders across the Group	

## Find out more

This report communicates our approach to CR and provides some examples of what we are doing to fulfil our responsibilities to shareholders, clients, our people, suppliers, communities and the environment.

If you have not found the information you need in this report, then visit the corporate responsibility section of our website at: [www.capita.co.uk/corporate-responsibility](http://www.capita.co.uk/corporate-responsibility)

## Contact Capita's Corporate Responsibility team at:

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