

Employee Directors' Remuneration Memorandum

This memorandum has been prepared in accordance with section 226D of the Companies Act 2006 and relates to a resolution pursuant to section 226B(1)(b) of the Companies Act 2006 that will be considered at the Capita plc 2019 Annual General Meeting (the “**2019 AGM**”), to be held on 14 May 2019, as resolution 11.

Background

Capita plc (the “**Company**”) intends to appoint two new directors to its Board during 2019. These proposed directors are together referred to as the “**Employee Directors**” given they will be employees of the Company's group. They will not, however, act in any executive capacity in respect of the Company and therefore will not be “executive directors” of the Company.

In terms of time-commitment, authority in strategic decision making and duties, the Employee Directors will be equivalent to the Company's non-executive directors (“**NEDs**”). In light of this, the Company proposes the Employee Directors should (in respect of their directorship of the Company) receive the same remuneration as the Company's NEDs in respect of their services as a director. Their remuneration in respect of their employment with the group should not be impacted by their directorship of the Company.

The Company's current remuneration policy does not cater for Employee Directors, who, from a remuneration perspective, are neither executive directors nor NEDs. In particular, the Company's current remuneration policy on NED pay states that “*no NED participates in the Group's incentive arrangements or pension plan or receives any other benefits*”. Employee Directors cannot therefore be paid as NEDs as they will receive pensions, benefits and incentives in connection with their employment with the group.

The Company intends to expand its directors' remuneration policy to expressly deal with pay to Employee Directors when its policy is next presented to shareholders for approval at its 2020 annual general meeting. At this same meeting shareholders will have the opportunity to vote on each Employee Director's appointment. As an interim measure, the Company is seeking express shareholder approval for the payments it proposes to make to the two Employee Directors, once appointed.

Particulars of proposed payments

The Company is seeking authority to make payments to each of two Employee Directors, between their date of appointment and 31 May 2020, calculated as follows:

- a basic fee of £64,500 per annum (being equal to that currently paid to the Company's NEDs);
- where travel to the Company's registered office is recognised as a taxable benefit, the grossed-up cost of such travel as a benefit; and
- if the Company so determines, where the Employee Director's appointment is terminated (by either party), a payment equal to up to one month's basic fee.
- The total value of these payments is not expected to exceed £85,000 per Employee Director (£170,000 total).

For the avoidance of doubt, each Employee Director may additionally receive any and all remuneration payable to them in the ordinary course in connection with their employment with the group.

Any payment to any Employee Director in respect of their directorship with the Company (and for the avoidance of doubt excluding any remuneration payable to them in the ordinary course in connection with their employment with the group) will count towards the Company's overall cap on directors pay under its articles of association (currently £1,000,000).