

Delivering value through responsible business



The Capita Group Plc Sustainability Report 2010



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Front cover image

Students of The Virtual College enjoying a lesson at Birmingham's Symphony Hall.

[See case study on page 20](#).

Chief Executive's introduction



Welcome to our Sustainability Report for 2010. At Capita we aim to build a long term, sustainable business that delivers value for all our stakeholders. Focusing on delivering positive social impacts and managing our key social and environmental risks well helps us to achieve this aim and to benefit both our business and communities.

In today's economic climate our skills are more relevant than ever. Both public and private sectors have to reconcile their need to curb costs with society's continuing demand for better service delivery. We continue to demonstrate that these are not mutually exclusive goals: cost reduction can go hand in hand with service improvement and customer choice.

We've made good progress over the past year across all of our social and economic impact areas. In particular we've continued to develop our equality and diversity programme and our environmental initiatives, including the expansion of our energy reduction programme. We've continued to invest in developing the skills of our people and benefitting our local communities through our volunteering programme.

I am pleased with what we have achieved to date, but recognise we have further to go. We remain committed to creating and maintaining a sustainable business capable of delivering positive social impacts across all our local and wider communities. Sustainability is a moving target, as external conditions and society's expectations will always be evolving. In 2010, we continued to engage with our stakeholders, listening to their feedback and using their input to develop our sustainability strategy further.

Our Sustainability Steering Group provides valuable challenge – ensuring our sustainability strategy is aligned with our business principles and values, and helping to embed it and ensure our strategy is converted into positive actions throughout our business. To take this further we are setting up an additional Sustainability Committee that includes external representatives who can bring different perspectives and help develop our sustainability strategy further.

This report summarises our sustainability performance in 2010 and our plans for 2011. For further details, please visit our website at www.capita.co.uk/corporate-responsibility. Our live online report enables us to provide regular updates throughout the year and allows you to select the information that meets your further needs. Please let us know your views as your feedback is hugely important to us.

I hope you enjoy reading about our activities and I look forward to updating you on our progress in 2011.

Paul Pindar Chief Executive

A snapshot of our business

Capita is the leading provider of outsourced and professional support services, principally in the UK and Ireland.

Our eye for detail, practical innovation and experience enable us to reshape services that both answer the needs of our clients and deliver quality, responsive services to the public.

These same qualities underpin the way we manage and grow our business, allowing us to deliver value to all our stakeholders.

Our clients benefit from Capita's expertise, innovation and extensive resources and infrastructure. When they transfer their back office and frontline customer services to us we sign up to delivering an improved service, at a defined cost, over a long term contract.

We use customer insight and our ability to better manage people, processes and IT to achieve a more efficient alignment of resources and a better customer experience.

Our innovative service solutions and record of consistent operational delivery have helped to fuel our growth and create a sustainable business, capable of delivering positive social impacts across our local and wider communities.



Our strategy

Our overall business objective is to develop Capita as a long term, sustainable business that delivers value for all our stakeholders.

Our sustainability strategy helps us achieve our business objective: by engaging with our stakeholders and managing our business responsibly, we support the creation of a financially stable organisation.

As the leading outsourcing company in the UK and Ireland, our role is to help our clients' operations to function more efficiently and cost effectively. In the current economic climate achieving these cost savings is essential, and we are committed to doing our part to help build a more sustainable economy.

We achieve these savings by improving the way services are delivered through streamlining processes and introducing innovative service solutions. At all times we consider our responsibility to manage the social and environmental impacts of our operations effectively and identify where we can add value to the communities in which we work.

This benefits us and our clients by reducing risk, improving relationships and maintaining our reputation with our stakeholders. It also allows us to build on opportunities to create business advantage.

To operate sustainably we focus on five priority impact areas:

1. Responding to our clients to ensure that we meet their needs and deliver value to their customers
2. Managing our people well by actively attracting and building a quality, diverse workforce of motivated and supported employees
3. Creating successful supplier relationships to ensure high quality, responsible and cost-effective partnerships across the Group
4. Running a resource-efficient business
5. Investing in the communities in which we work.

Focusing on these impacts helps us to add value by delivering better services to our clients, which in turn means that we can consistently meet the needs of all our stakeholders: our clients, employees, suppliers, shareholders and the wider community.

Our approach

Our approach to sustainability is straightforward. It involves:

1. Identifying our key social and environmental impacts
2. Setting objectives to manage these impacts and improve our performance
3. Monitoring and measuring our progress
4. Reporting our performance to our stakeholders in a transparent way
5. Engaging with our stakeholders to get their feedback on our progress and review our priority impact areas.

We carry out formal reviews of our priority impact areas with our stakeholders, to ensure that we have identified the areas that matter the most to them.

In 2010, we again consulted with key stakeholders, including using stakeholder surveys, meeting regularly with investors and participating in socially responsible investment (SRI) surveys. The feedback we received confirmed our belief that we are continuing to focus on the right areas.

In 2010, we were ranked joint sixth in the Carbon Disclosure Leadership Index. We were included in the Global 100 Most Sustainable Corporations list, the FTSE4Good Index and the Ethibel EXCELLENCE Investment Register, and were recognised as a Brand Emissions Leader.

See our progress against our sustainability priorities on page 35

Our sustainability leadership



Sustainability leadership and governance

Our Group Board continues to take responsibility for our sustainability programme and Gordon Hurst, our Group Finance Director, has overall responsibility for our sustainability activity. Each Executive Director has specific responsibility for one or more of our priority impact areas.

We manage our sustainability programme at two levels: centrally through our Group functional heads and locally in the individual businesses. The functional heads join other senior business representatives on our Sustainability Steering Group, which meets quarterly. They are responsible for developing specific key policies and procedures for their impact areas and ensuring that we identify and manage sustainability related risks and opportunities.

We aim to embed sustainability in our core management and reporting procedures. Group functional heads are accountable for activity in their areas and have to report progress and performance to the Board through our business reporting process.

Responsible business practices

The way we manage our business is underpinned by our values and behaviours.

Statement of business principles

Our statement of business principles sets out the standards of behaviour that we expect, reflecting our shared business values and our responsibility to our stakeholders.

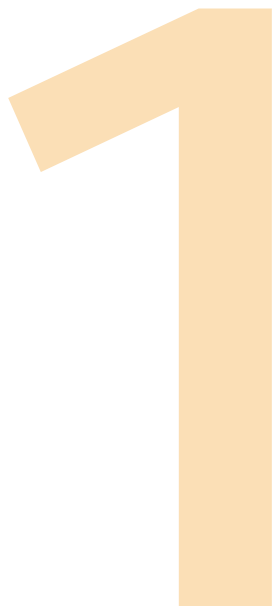
Our statement of business principles sets out our commitment to:

- Act with integrity and honesty in all our dealings
- Treat clients and their customers fairly
- Communicate openly and transparently with all our stakeholders
- Show respect for those we work with, valuing their skills
- Support our local communities
- Manage and minimise our impact on the environment
- Ensure we do not have any business relationships with organisations or individuals who act outside legal boundaries or our code of ethical conduct and our wider business principles.

Code of ethical conduct

In 2010, we reviewed our code of ethical conduct in light of the UK's new Bribery Act 2010 which comes into force in April 2011. The code will be supported by employee training programmes and applies to all businesses and employees in all jurisdictions, sitting above local laws.

We monitor compliance to our code to ensure that it is adhered to and we will continue to periodically review its suitability and effectiveness, implementing improvements as appropriate.



Our 5 priority impact areas:

Responding to clients' needs

To maintain our leading position in outsourcing and grow our market share, we must recognise and respond to changes in the marketplace in the UK and across Continental Europe. With cost efficiencies high on the agenda of public sector and commercial organisations, there is potential for collaborating with them to achieve savings and deliver quality services.

How we manage this

By meeting clients' needs and, where possible, exceeding their expectations, we have a significant opportunity to deepen relationships and build trust. Vic Gysin and Andy Parker, our Joint Chief Operating Officers, take overall responsibility for the Group's client service quality. Managers within our individual business areas are accountable for sustained service quality in their operations. We encourage all our people to consider their role in maintaining and improving service: this is one of our core values. Overarching Group policies are supplemented by policies specific to individual businesses. In some cases these reflect regulatory requirements, such as the Financial Services Authority's Treating Customers Fairly initiative in our financial services operations.

Responding to clients' needs

Across all our major contracts we seek to add additional value to our clients' operations

Building strong client relationships

Our reputation, built on in-depth experience of the outsourcing market and a strong track record of quality service delivery, enables us to win and retain long-term contracts with providers of essential services in both private and public sectors. To keep delivering ever better service, we need to listen to the views of our clients and their customers.

Independent analysts value the total market for business process outsourcing (BPO) in the UK in 2010 at £7.8bn compared with an estimated market potential of £117bn a year. There is therefore good potential for growth in this market and the key to success is a track record of satisfied clients.

Relationships between Capita and our clients are maintained at multiple levels and we report and receive feedback regularly. The breadth of the services we provide makes it difficult to adopt a uniform approach to measuring the satisfaction of our clients and their customers. So we use a variety of feedback systems, largely reflecting the size and breadth of our relationship with the client.

Our relationships and feedback mechanisms fall broadly into three categories:

Transactional customers buying a single service or product such as software services. To gauge client satisfaction we track annual rollover of contracts and repeat business and obtain feedback through regular client meetings, seminars and questionnaires.

Medium to long-term contracts spanning single or multiple services such as local authority revenues and benefits contracts. All these contracts specify detailed service level agreements. Business managers or client relationship managers meet regularly with clients, providing detailed management information. Feedback from customer satisfaction surveys and 'mystery shopping' enable us to gauge satisfaction and make improvements as necessary.

Long-term, complex partnerships such as delivering an entire end-to-end service or multiple services, as we do for our local government strategic partnerships. Partnership management boards overseeing these partnerships ensure that all stakeholders' needs are understood and enables focus on continuous improvement as the needs of our clients and their customers change. We set detailed key performance indicators (KPIs) and service level agreements (SLAs), with key milestones for major transformation projects.



Responding to clients' needs

For some of our contracts we run independent end-customer surveys to measure our performance against certain KPIs, such as service knowledge and experience. For example, one of the agreed KPI targets within our Gas Safe Register contract (managed by us on behalf of the Health and Safety Executive) is to maintain 80% consumer awareness of gas safety, based on responses to 8 key gas safety questions. We are currently on target to achieve these targets.

Across all our major contracts we seek to add additional value to our clients' operations beyond our contractual agreements. For instance, in our life and pensions contracts we drive down attrition to retain greater value in our clients' funds. In our public sector contracts, we implement processes that not only reduce the cost of service delivery but also ensure that the benefit or grant payments we are administering reach only those who are fully eligible.

While we use a variety of KPIs for individual contracts, the ultimate measure of overall client satisfaction across our operations is client retention. In our 27 years of operation, we have only failed to renew 3 of our material contracts (defined as generating more than 1% of the previous year's revenue). Rates of customer renewal in each of our businesses are measured, where appropriate, by each individual business. These are not aggregated centrally but our financial results indicate high levels of client retention.

Protecting our clients

We process large amounts of confidential information for our clients and must adhere to all legal requirements regarding data protection and information security. This ensures that we protect and maintain our reputation and that of our clients and their customers.

We have robust policies and procedures to govern data security, and give our employees user guidance and online training. It is mandatory for all Capita employees to complete information security, data protection and fraud awareness training every year. The training is reviewed and updated regularly, and those employees working in sensitive areas receive specific, detailed training on the relevant client processes they are working on.

Each division of Capita has clear incident procedures for identifying, investigating and rectifying any security breaches that may occur.

Our employee vetting policy applies to all employees, including contractors and temporary employees.

See our progress against our sustainability priorities on page 35



All Capita people must complete information security, data protection and fraud awareness training every year

Sustainability in action: Home Access programme

Helping low income families get online

The challenge

In October 2009, we signed a contract with Becta to administer the Home Access programme – a national initiative across England to help low income families gain access to a computer and the internet at home. The scheme went live in January 2010 with the aim of reaching 270,000 low income households. Many of the target audience were hard to reach and it was essential to make sure outreach was balanced and fair.

Our approach

We designed and ran a fair and secure process for delivering the grants and created an informed sales force. To get the message across we devised attractive sales messaging and used flexible marketing to generate a great deal of interest in a short time.

The result

Over 258,000 eligible families received the grant and now have access to the internet. In addition, thousands of tailor-made Home Access packages with specially adapted equipment have been awarded to children with severe disabilities or special educational needs.



1

Short set-up period

We designed and implemented a robust end-to-end process for administering the grants in less than 3 months. We worked closely with BarclayCard (who supplied the pre-loaded credit cards) to limit fraud and ensure that grants were issued promptly and employed a sales and support team with experience in the education space.



Less than 3 months

2

Demand generation

We had to generate a great deal of interest in a limited amount of time. The primary audience were hard to reach and due to confidentiality and statutory restrictions we were not able to communicate via schools. Alongside an extensive media programme, we worked closely with a wide range of stakeholder organisations including housing associations, local authorities and community groups to ensure we got the message out there. To ensure fair allocation of grants we used government figures to tailor activity to the response from each region.



10,000 calls generated after featuring on GMTV



Extensive media programme



"Having the computer has given my son a real thirst for learning."

Marrissa Mullans

"It's cool because I can do my homework on it."

Shakeel Parvez (aged 11)



5

Family goes online

Successful applicants were sent a pre-loaded BarclayCard along with a list of approved suppliers from which they could purchase their Home Access package.

4

Processing applications

Clear guidance notes were sent out with the application forms which took no longer than 15 minutes to complete. Completed forms were then scanned and assessed, and applicants knew within 3 weeks if they were successful.



15 mins to complete

3

Handling the response

Call centre employees did not work to a defined script so they had more flexibility to engage with hard to reach audiences. Initial eligibility checks were carried out over the phone so friendliness was key to securing trust.



Our 5 priority impact areas:

Strengthening our culture

Our 37,000 people are critical to our success and growth. We have created a strong culture, aiming to offer them a workplace that is supportive, rewarding, safe and inspiring.

How we manage this

Vic Gysin and Andy Parker, our Joint Operating Officers, have overall responsibility for our people. Our relatively flat management structure enables our managers to develop people management processes, within our robust framework of policies, that best suit the needs of their specific operations.

We have a number of Group-wide policies which focus on particular areas including equality and diversity, health and safety, whistle-blowing and a code of ethical conduct. All our policies and practices meet or exceed the legal and regulatory requirements of the countries where we operate – such as UK, European and Indian employment law and international human rights legislation, including International Labour Organisation standards. For more information about all our policies, visit www.capita.co.uk/corporate-responsibility/pages/policies.aspx

Strengthening our culture



71%

of employees that completed the 2010 employee survey agreed that Capita is a good place to work

Building a supportive culture

Over 70% of our employees have transferred into Capita under TUPE (Transfer of Undertakings, Protection of Employment regulations), either from previous employers who outsource activities to Capita, or through acquisitions. Successfully managing large-scale employee transfers is one of our strengths and our HR integration team consult with all potential employees throughout the whole process, providing support and information about our business. The challenge for us is to establish and maintain a consistent Capita culture.

To be clear about who we are and what we stand for, we have a comprehensive set of values which are embedded across our business. At the centre of everything we do is a shared commitment to deliver services of the highest quality.

When employees feel motivated they perform to their best ability. We motivate our employees by recognising and rewarding their individual performance – both financially through competitive remuneration packages, local performance schemes, and through our Capita People Awards scheme. These awards celebrate employees who have demonstrated commitment to our values.

We also offer our employees the opportunity to share in Capita's success through joining our Sharesave and Share Ownership schemes. In 2010, the schemes had 5,536 participants, with over 17% of our eligible employees taking part.

Our strong culture and values have gained us recognition as a company that treats its employees fairly and consistently. This positions us well to attract and retain the best people in our industry. In our 2010 employee survey 71% of employees that completed the survey agreed that Capita was a good place to work.

Creating a positive environment for change

Trish Burtenshaw transferred into Capita in July 2010 from NHSBSA Dental Services. Having worked for Dental Services for 26 years she was understandably worried about transferring to a new company. Our integration team explained the benefits of the transfer, as well as introducing our company culture and our values.



"My transfer to Capita has been a positive experience. I am impressed by the team culture within Capita, with everyone working together to achieve a goal. There is a lot of support and encouragement and there is also a fun element within the Group where I can get involved in fundraising for charity."

Trish Burtenshaw, Customer liaison manager

Strengthening our culture

Solutions for HR Solutions

Our HR Solutions business took full advantage of the Capita Manager Academy, tailoring the existing training programme to its particular needs. In a rapidly growing business the directors understood the importance of managing in a consistent and progressive manner. To equip the business with the necessary management skills, over 80 managers and team leaders are taking part in joint training delivered through this programme.



"Our extensive and varied training is available to all employees, ensuring they gain the skills to support our business growth and their own personal development."

Claire Neal, Group HR Director

Developing our leaders

To be the best at what we do, we need to ensure that our people have the right skills and knowledge to do their jobs and help deliver our business strategy. A skilled workforce is key to our ability to deliver quality services. In order to retain the best people we give them the opportunity to grow and develop.

Our Capita Manager Academy' training programme ensures we equip our middle and senior managers with the right skills to respond to our clients' needs and manage, support and motivate our people effectively.

Managers who complete a range of business and personal development courses have the opportunity to gain an externally accredited ILM Level 3 qualification in first-line management. Over 2,500 training days were delivered through this in-house programme in 2010.

We encourage knowledge sharing across the Group and actively reassign managers to new business areas. Succession planning is also a key element of our strategy, ensuring that we maintain stable leadership.

Training our employees

We support all our employees who wish to develop their careers, encouraging them to progress through training.

Under the 'Capita Academy' programme we deliver a wide range of training through the most appropriate channel. These include courses which allow our employees to develop core skills to help them meet the challenges of their job, as well as giving them access to a range of personal development courses.

For employees seeking vocational qualifications, we have a Vocational Learning programme. Since this was introduced in 2007, 1,867 employees have achieved a nationally recognised qualification; a further 783 are currently working towards a qualification. We also sponsor employees to undertake professional qualifications.

In 2010, we invested £8.3m in employee training, providing over 6,300 days of training delivered through 'Capita Academy'. In addition to this Academy training we also provide workplace training, coaching and group instruction.

By developing our employees and offering them a range of career development opportunities we ensure that they are motivated and committed. This is reflected in our high rates of retention and client satisfaction. In 2010, the retention rate for senior managers was 84% (2009: 88%) and our overall employee retention rate was 83% (2009: 84%), slightly lower than the industry average at 86.5% (based on data from CIPD).



1,867

employees have achieved a nationally recognised vocational qualification

Strengthening our culture

Listening to our people

It is important to us to listen. By actively engaging with employees we can increase their commitment to Capita. This can result in higher retention rates, helping us to continue benefiting from their skills and experience.

We have an open door policy encouraging employees to talk freely with management. We use a range of tools to communicate with our employees, encouraging open, two-way communications through both formal and informal channels. These include a Group-wide intranet, frequent email notices, updates from senior directors on business performance, and individual business newsletters.

We have clear and well publicised grievance, anti-harassment and anti-bullying procedures giving employees a framework in which to raise issues and express their concerns so that they can be dealt with fairly.

We also have a formal whistle-blowing policy, which we are committed to applying in the interest of employees, clients and industry regulators. Any matter raised through this policy will be treated with confidentiality and investigated quickly.

An annual employee survey helps us to identify where we are performing well and where we need to improve. This year the areas which our employees thought we excelled in were: supporting their new ideas for improving services, ensuring they felt valued and respected by their colleagues and our open door approach. The areas which they felt we needed to improve were: to encourage more cross working within Capita, and ensuring that managers keep them up-to-date with developments within their individual business. In 2011, we will explore these areas further and address them where necessary.

By engaging and listening to our employees we demonstrate that we value their contribution. We also make best use of their expertise. In our 2010 employee survey 83% of our employees agreed that managers supported and incorporated their new ideas for improving services to our clients and the public. Building on our people's innovations allows us to continuously enhance our services.



Our open door policy encourages employees to talk freely with management

Strengthening our culture

“My role is to ensure that diversity and equality are recognised and understood by all our employees. I help promote our local diversity action plan.

All diversity champions were given specific training which equips me to offer support and advice to my colleagues. This came in useful when discussing and arranging with managers for employees who celebrate Eid to come into work early and finish early to help them with their fasting.”

Diversity champion, Mark Simmons

Treating people as individuals

Equality and diversity is not just about complying with legislation – it is about talent management. We believe that our success results directly from the experience and quality of our employees.

Attracting, selecting, developing and retaining a highly skilled workforce helps to drive our business performance. By developing our employees' talents while recognising their differences, we benefit from their unique skills and are able to meet the needs of our clients' and their customers.

We are committed to encouraging diversity at the workplace. Our Joint Chief Operating Officers are responsible for championing diversity and inclusion from Board level downwards, and we use a network of diversity champions across the business to help communicate and deliver our diversity strategy. Working with our HR advisers they develop and embed local diversity action plans in their individual businesses. We also engage with a number of external partners including Employers Forum on Disability and Employers Forum on Age.

Employees must complete our online diversity awareness training. In 2010, we updated the training to reflect the changes resulting from the new Equality Act. All our employees must complete the new training within the next 12 months.

To create the conditions for a diverse workforce, we recognise that we have to offer a degree of flexibility over working arrangements. Where possible we support part-time working, job sharing and flexible working hours. In 2010, 14% of our employees worked part-time. We aim to have a culturally integrated workforce and where possible we employ local people so that our workforce reflects the diversity of our local communities.

We monitor the diversity of our workforce using our online HR administration system, and encourage our employees to disclose their ethnic origin. In 2010, 64% (2009: 53%) of our employees stated their ethnic origin and of these 25% (2009: 17.5%) were from ethnic minority groups.

Supporting people through change

We believe it is essential to keep employees fully informed of business developments in an open and honest manner.

The Capita Group's operations are extremely broad and inevitably at any one time some will be expanding whilst others are retracting. As the Group overall has grown year on year, we are often able to offer suitable opportunities to affected employees in other parts of the Group. Where suitable opportunities are not available in the Group, our HR advisers help with external redeployment opportunities. Where an employee opts to take voluntary redundancy, to suit their personal circumstances, we often offer outplacement support services to equip them with the right tools to support them in their new career.

Strengthening our culture

Managing safety, health and wellbeing

We are committed to providing a safe working environment as a basic entitlement for all our employees. John Kost, our Group Safety, Health and Environment (SH&E) Director works with the SH&E team who provide guidance to line managers at individual business level and ensure that employees are familiar with SH&E risks in their local working environment.

We give site managers training about mitigating the SH&E risks in our business, their legal and compliance responsibilities, and our health and safety policies and procedures. We expect our Senior Directors to complete the IOSH Safety for Senior Directors course every 3 years. In 2010, 130 directors completed the course.

All new employees receive a copy of the Employee SH&E handbook when they join Capita. They must also complete the SH&E section on the e-induction, watch the Group SH&E DVD and complete the associated test. All this helps us to develop a culture which recognises the value we attach to these issues.

Managing safety risks

Potential risks are identified on a site-by-site basis by the site manager, SH&E advisers and facilities managers, assisted by the Group SH&E team.

We continually monitor and review our health and safety performance. Twice a year our SH&E team conducts site audits to assess employees' working environments and ensure that they are safe. The results of these audits are formally reported to the Group Board. By having these procedures and training in place we also ensure that we comply with our clients' expectations.



38%
reduction in reportable
accidents since 2004

Monitoring our activities

Most of our employees are office-based, but we do have some higher-risk working environments, such as construction sites for our project management business and field force activities. If an employee is working in a high risk area then additional training is provided.

In 2010, our RIDDOR accident rate was 1.43 per 1,000 employees (2009: 1.65). From the 2004 baseline, we have achieved a 38% reduction in reportable accidents. The number of claims for personal injury has also decreased.

Despite our otherwise excellent health and safety record regrettably we had 2 fatalities in 2010, an employee who committed suicide whilst at work and a subcontractor on a construction site managed by our project management business. The police investigated the incident that took place on the construction site and found no grounds for any charges and have passed the investigation over to the Health and Safety Executive for further investigation.

We share any lessons learned from incidents across the business and continually build them into our employee training.

Ensuring people's wellbeing

In addition to ensuring our employees' safety at work, we also attach great importance to improving their wellbeing. We have a positive management style and provide information for all our employees on our intranet to help them improve their health. We offer a variety of healthcare schemes and we launched a new dental plan for employees in early 2011. We also run health awareness campaigns throughout the year. In 2010, we linked these to our corporate charity partner, Macmillan Cancer Support, to raise awareness of their work and the support that they can provide to our people and their families.

Caring for our employees' wellbeing can lead to a reduction in absenteeism, alongside an increase in productivity. Line managers review sickness absence rates to help identify potential areas of concern. In 2010, our absenteeism rate was 3.37%.

[See our progress against our sustainability priorities on pages 36 and 37](#)



Our 5 priority impact areas:

Managing our supplier relationships

Capita has a significant number of supplier relationships, and we recognise that the impacts of our supply chain extend beyond our business. We need to manage our supply chain effectively, ensuring responsible business practice across our supplier base.

How we manage this

Gordon Hurst, our Group Finance Director, has overall responsibility for our supply chain. We have clear policies and procedures in place enabling us to promote good practice and reduce risks across our supply chain.

We believe in treating our suppliers fairly and have signed up to the prompt payment code, committing to paying our suppliers within clearly defined terms.

Managing our supplier relationships

28
strategic suppliers,
who provide services
to the whole Group,
are managed centrally

Setting clear standards

Our responsible procurement policy details our commitments to meeting the highest ethical standards, ensuring we comply with relevant legislation and best practice.

Our supplier relationships are managed both at a Group level by a central procurement team, and at a local level by procurement specialists within the business. We also manage some of our clients' supplier relationships on their behalf.

We classify our suppliers into categories, according to the value of their contract and its coverage across our operations. The central procurement team manages relationships with our 28 strategic suppliers, who provide services to the whole Group. These contracts are negotiated centrally and together are worth £150m a year.

Buying responsibly

All suppliers who wish to work with us are required to undergo our supplier assessment process via our online portal.

First they must register, giving us core information about their business and the nature and scope of the services they can offer to Capita. They must answer questions on their business ethics, health and safety record, environmental credentials and commitment to sustainability. We also ask how the design and delivery of their goods and services can be modified to help reduce environmental impacts across our supply chain. Where a supplier does not meet our standards we are committed to assisting them with the objective of improving their performance to meet our standards.

Where we have acquired a new business, including its supply chain, our central procurement team undertakes a risk assessment of these suppliers as part of the due diligence process. Following a review to assess whether the supply chain meets our business and sustainability standards, we will either continue to work with these suppliers or migrate to our own suppliers, where appropriate.

We value our reputation for integrity and reliability and using the online portal allows us to select and monitor our suppliers and ensure that they meet our business and sustainability standards. It gives us a consistent approach to identifying and reducing risks in our supply chain, including the risk of interruptions to the supply of goods or services. And it also allows us to identify new opportunities for working together to create business benefit for both Capita and our suppliers.



Managing our supplier relationships

Enhancing our relationships with suppliers

Building mutually beneficial relationships with our suppliers matters to us. By creating positive relationships and using our purchasing power we are able to secure best value goods and services, which can directly improve our business performance and that of our clients.

We engage with our suppliers in a number of ways. At Group level we have a strategic supplier development programme in which members of our central procurement team meet our strategic suppliers regularly to review their performance and ensure they remain compliant with our policies. This also gives us the opportunity to provide constructive feedback and share ideas.

At a local level our in-house procurement specialists manage our supplier relationships. The central procurement team gives them guidance and training to ensure that they work within our operating framework.

To support local suppliers and encourage supplier diversity, we provide all suppliers the opportunity to work with us. We acknowledge that smaller suppliers may face challenges in the procurement process due to lack of time and resources. Where this is the case we try and assist them through the process to ensure a level playing field.

Helping suppliers to excel

By working closely with suppliers throughout the relationship we can help improve both their and our own sustainability credentials, motivating existing and potential suppliers to offer more socially and environmentally sustainable products and services. We believe this continuous improvement will also help our suppliers to secure new contracts with us and other clients in the future.

See our progress against our sustainability priorities on page 38

We use a diverse range of suppliers, especially ones local to the communities where we work



Managing our supplier relationships

Working with our suppliers

We have been working with our stationery supplier, Office Depot, to help us reduce our impact on the environment. We have achieved a significant reduction both through the consolidation of orders made by our employees, meaning less deliveries need to be made, and also by introducing their cargo cycles, instead of vans, to deliver to our London based offices.

A total of 697 deliveries were made to our London offices using cargo cycles in 2010, equating to a reduction in CO₂ emissions of 6490kg.

Office Depot are looking to expand their cargo cycle scheme in other major UK cities in the future and we are committed to working with them in the roll out of this scheme to our offices in these additional locations.



Sustainability in action: Service Birmingham

Supporting employees and local communities

The challenge

In April 2006, Capita joined forces with Birmingham City Council to form a joint venture company – Service Birmingham. We embarked on a transformation programme to revolutionise the way the Council delivers services and two of the key objectives were to increase employee motivation and benefit the local community.

Our approach

Since contract start we have committed a significant financial and time investment into training and development. We've implemented a number of programmes aimed at improving the lives of Birmingham's citizens and set up a staff benefit scheme to fund local charitable and community projects.

The result

We've created 600 local jobs since contract start and our apprenticeship and long term unemployed schemes are helping people into work often for the first time. Our progress in training and career development was recently highlighted when we achieved re-accreditation in the Investors in Excellence Standard and retained the ISO 20000 Service Management standard. The staff benefit scheme has been a great success. To date we've donated £1.25 million to local projects, many of which could not stay afloat without our support.



1

Training and career development

We've invested £700k per annum in training and development since the contract began. We've established a training and induction programme for all employees, developed personal training plans, brought formerly disparate teams together at one site and introduced an employee awards programme.

invested £700k
in training

2

Apprenticeship scheme

We have been running an apprenticeship scheme since 2008 for young people from local schools that are seen to be under-achieving. To date the scheme has been a great success and we currently have 14 young people enrolled.



14 enrolled

3

Creating local jobs

Our target to create 520 jobs by March 2011 has been achieved ahead of schedule – we've created 600 jobs since 2006, boosting the local economy. The new jobs are in professional, administrative, technical and clerical areas, the majority of which have been created by expanding or establishing new Capita operations in the Birmingham area.



600 jobs created

4

Diverse workforce

We run a scheme designed to help the long term unemployed back into work. We currently employ 18 home-workers made up of lone parents, people with disabilities and carers from targeted council areas.

5

Staff benefit scheme

Our staff benefit scheme receives 5% of joint venture profits per annum. The scheme is administered by seven employee representatives and funds are invested in schemes that support team based community activities. Some current projects include:



£47,000 donated



£500,000 donated

The Virtual College is an alternative provision to mainstream education for young people in year 10 to 11 who do not have a school placement. The college works to create a bridge between school and work or further training through learning packages tailored to each student's needs. We sponsor the college on an annual basis. Students pictured in action on page 20 and front cover.

Integreat Theatre is a theatre group for deaf and hearing adults in the Birmingham area. We've donated £47,000 to the group to date which will help to keep it running for the next 3 years.

Edward's Trust was set up by Peter and Hilary Dent in memory of their son Edward to help families deal with the death of a child. The Trust offers a wide range of support services to bereaved families, as well as offering training and consultancy services for school staff, parents or others working with bereaved children. We're donating £52,000 over a 3 year period to help fund an outreach worker.

Kind Edward VI Sheldon Heath Academy is one of 8 Birmingham academies set up to combat failing schools. We are donating £500,000 over a 5 year period.

Junior Schools' Citizenship Project is a project which aims to help local year 5 junior school pupils develop life skills. Courses include community service, social experience, extracurricular skills (such as music) and physical recreation. We worked with Rotary International to develop the project and have donated £1,800 to date.

4

Our 5 priority impact areas:

Running a resource-efficient business

Resource efficiencies drop straight to our bottom line, and the benefit can be shared with our clients and shareholders. Our energy saving programme, for instance, has saved us over £1m since 2007. Existing and potential employees are increasingly interested in and supportive of our performance in this area.

How we manage this

Gordon Hurst, our Group Finance Director, has overall responsibility for managing our impacts on the environment. We operate a robust environment management system across the Group, with a comprehensive environment policy. This allows us to monitor and manage our impacts and improve our performance.

Running a resource-efficient business

Managing our environmental impacts

While Capita is a low-impact organisation, we recognise that evaluating and managing our environmental risks positions us better to ensure continuity of service for our clients. It also ensures that we comply with relevant environmental legislation.

Our primary environmental management system is an internal system based on ISO 14001. A number of our operations have sought and achieved external accreditation, either because of their size or because their particular operations were exposed to particular hazards and risks. We have over 350 sites and 51 of these had achieved the ISO 14001 standard at the end of 2010.

As most of our operations are office-based, a significant environmental risk is from extreme weather affecting travel to and from work. In the past 4 years we have had 3 instances of offices being affected by flooding in the UK and in 2010 we were affected by the heavy snow. To mitigate risks, individual businesses are required to develop comprehensive business continuity plans covering disaster recovery and site emergencies. By having these plans in place we are able to keep the business going without any significant impact on service levels to our clients.



We've invested in video conference suites to reduce our business travel

Reducing our carbon emissions

We are already a low-carbon intensity business, but we recognise that seeking further reductions in our carbon emissions is important to our stakeholders and helps us to be a more efficient business. We are therefore committed to managing our impacts, particularly our two main impacts: energy use in our offices and business travel.

In 2006, we established an energy reduction programme to address our largest impact. This has achieved savings of 39% or 6,750 tonnes of CO₂e since it began. We continue to roll this programme out across our sites. We are subject to the UK Government's Carbon Reduction Commitment Energy Efficiency Regulations (CRC), which will charge a levy on our energy use carbon emissions. Where our sites are subject to these regulations we are required to monitor and report their energy consumption. We use smart meters to help sites to manage and meet their CRC obligations and establish good energy management practices.

Business travel is our second biggest impact. In 2010, we continued our efforts to reduce business travel across the Group, promoting the use of video and teleconferencing. In 2010, we made 179,000 conference calls (2009: 116,000), an increase of 54%. We also invested in new Telepresence high definition video conference suites at a number of our offices in the UK and India, providing a platform for people to work collaboratively from remote sites reducing the necessity to travel. We will be installing more suites in 2011 with the aim of increasing site-to-site videoconference meetings. We hope to be able to extend the use of these to clients and key suppliers in the near future.

We encourage our employees to use alternatives to car travel by promoting the use of public transport and providing season ticket loans, using shuttle buses at our larger sites and by encouraging participation in our cycle to work scheme. All our company cars run on diesel and are now subject to a maximum emissions level of 160g CO₂/km. We continue to add more 'green cars' to our fleet, and are currently trialling the use of hybrids and electric cars with London based employees.

Running a resource-efficient business

6,750
tonnes of CO₂eq have
been saved since our
energy programme
began in 2006



Publishing our performance

We have published our carbon footprint annually since 2005.

In 2010, our total carbon footprint (including our rapidly growing operations in India) was 81,112 tonnes CO₂eq (2009: 79,212 tonnes), an increase of 2.4% over 2009, in line with the growth of the Group (Group revenues increased by 2% in 2010). The increase in our carbon footprint was largely due to our growing operations in India where our footprint grew by 11.2%.

Last year we set ourselves a challenging target of reducing our carbon intensity (Scopes 1 and 2) by 4.5% a year. We did not achieve this target. However in 2010, we did manage to reduce our carbon intensity for our UK operations by 3%, and by 1.7% for the overall Group, including our India operations.

By managing our carbon emissions, especially from our energy use and business travel, not only do we make a positive contribution to controlling carbon emissions but we can also generate cost savings for the Group and for our clients.

In 2010, we participated in the Carbon Disclosure Project (CDP) for the 4th year. We were ranked joint 6th overall in the Carbon Disclosure Leadership Index. This confirms not only that we have considered and addressed business-specific risks and opportunities related to climate change, but also that we have good internal processes for managing our carbon emissions.

As a supplier to Government we also completed the CDP for Public Procurement, providing information about our energy use and carbon emissions to help the public sector build a low-carbon supply chain. The performance-based analysis showed an overall improvement in 2010.

Carbon intensity

| | 2010 | 2009 | 2008 | 2007 |
|--------------------------------------|--------------|-------|-------|-------|
| Group Turnover £m | 2,755 | 2,687 | 2,441 | 2,073 |
| Carbon Intensity for whole Group* | 20.3 | 20.7 | 21.1 | 22.3 |
| Year on Year change (%) | -1.90 | -1.90 | -5.4 | |
| Cumulative vs 2007 (%) | -9.0 | -7.2 | -5.4 | |
| Carbon Intensity for UK only* | 17.2 | 17.7 | 19.3 | 21.3 |
| Year on Year change (%) | -2.8 | -8.3 | -9.4 | |
| Cumulative vs 2007 (%) | -19.2 | -16.9 | -9.4 | |
| Carbon Intensity for India** | 177.9 | 206.9 | 273.8 | 189.9 |
| Year on Year change (%) | -14.0 | -24.4 | 44.2 | |
| Cumulative vs 2007 (%) | -6.3 | 8.9 | 44.2 | |

*Scope 1 & 2 (tonnes CO₂eq/£m) Offices only

**Scope 1 & 2 (tonnes CO₂eq/£m)

Running a resource-efficient business

Reducing waste and paper use

Our aim is to reduce the overall levels of waste we produce and increase recycling across the Group. By diverting waste from landfill we contribute to sustainable resource use as well as helping us to minimise our landfill tax costs.

We do not have a formal Group-wide waste management system as we are mainly tenants in multi-tenanted buildings and we can only collect accurate data on our waste for a limited number of sites. We therefore need to work with each landlord to quantify waste and implement improvements in segregation and recycling on a local level.

We encourage employees to use paper wisely, only printing where necessary. We have Group-wide recycling schemes for specific waste streams: paper, mobile phones, redundant IT equipment and consumables such as printer cartridges. In 2010, we recycled 2,263 tonnes of paper.

We aim not only to reduce our environmental impacts but to extend our influence with our employees, encouraging behavioural change through our internal 'Going Green' campaign and by providing information on our intranet. We also work with our client and suppliers to help them to reduce their environmental impacts. For example, when implementing new systems for clients we focus on removing redundant processes and replacing paper-based services with online services, where possible. This not only reduces environmental impacts but also reduces costs and improves our clients' services.

[See our progress against our sustainability priorities on page 39](#)

Low carbon generates new business

The drive for a lower-carbon economy is creating new business opportunities for us. For example, our Real Estate team is working with the Technology Strategy Board on four pilot projects for the Energy Efficient Whitehall programme. The aim is to show how government and commercial offices can dramatically improve their energy performance, cut energy bills and reduce carbon emissions. The projects include providing a range of low-energy technical solutions to cut energy

consumption, and exploring user engagement and behaviour change to reduce energy use further. We are providing funding advice, monitoring and analysis expertise for these and other projects relating to technology selection and behavioural change.

Capita Symonds has developed an innovative idea of a 'Cool Workspace' looking at the sustainable office of the future, shown in the picture below.



5

Our 5 priority impact areas:

Engaging and supporting local communities

Our business places us at the heart of the communities where we operate, and where many of our employees live. When we deliver public services we need to fully understand the communities we are serving, so that we work in the most appropriate way. Our aim is to ensure that these communities benefit both socially and economically.

How we manage this

Paul Pindar, our Chief Executive, has overall responsibility for our charitable support and Maggi Bell, our Business Development Director, has responsibility for our community engagement. Through our 'Capita Commit' programmes – which include our community investment programme and our charity partnerships – we aim to tackle exclusion of all kinds. The programme is applied centrally at a Group level and also by individual businesses, to address specific local needs.

Engaging and supporting local communities

Stimulating local economies

Our services focus on delivering efficiencies in public and private services – reducing administration costs and freeing-up funds that can be invested in frontline services for customers or communities. By helping local authorities to reduce the costs and improve the quality of public services, we help to minimise the taxation burden on local communities and enhance frontline citizen services.

Beyond this, our track record in adding value to local communities is frequently a factor in helping us to win strategic partnership contracts with local authorities. We recognise that our operations can enhance, and in some cases, help to regenerate local communities – primarily economically, but also socially as a result.

As an employer we contribute to local economies directly, contributing through salaries and also through national insurance contributions. We also seek to use local suppliers, particularly SMEs, wherever possible.

When our operations require further resource, we look to recruit from local communities and work with other community bodies to attract applications from across the different local communities. Where there are particular community challenges, such as long-term unemployed or people needing to be home-based for work we will, where appropriate, look to recruit from and support these groups. In 2010, we also increased our support for getting young unemployed people into work by funding apprenticeship places across several of our operations.

We benefit taxpayers, service users and the wider community through improved service delivery, the wages and taxes we pay, job creation and our use of local suppliers.

Making a positive impact in our local communities

Through our various businesses in Sheffield we have made a significant contribution to the City's regeneration. We employ 3,000 people and continue to create opportunities for local people. We have been involved in over 20 regeneration projects, as well as supporting local charities and community initiatives including:

- The Archer Project supporting local homeless people
- Right to Read programme, helping young people to improve their literacy skills
- The culture kids project, helping to address race issues with local children.

The positive impacts we have achieved through these initiatives have helped build a strong reputation both in the local community and with our clients.



We help young unemployed people into work by funding apprenticeship places across our operations

Blackburn with Darwen

In 2001, we began a 15-year strategic partnership with Blackburn with Darwen Borough Council, helping to transform its services. In addition to the cost savings we have delivered to the client (£872,000 a year) we have also improved the social and economic wellbeing of the local community by:

- Creating new jobs for local people – adding 60 between April 2009 and April 2010
- Using locally-based suppliers – particularly SMEs, which are under increasing pressure to safeguard jobs
- Considering the environmental impacts of our projects on the local community. For example, Capita Symonds' landscape architecture team has created a range of exciting play areas across the Borough, providing young people with facilities where they can exercise and have fun safely
- Working with the Council to significantly change the way the Borough's roads are looked after and achieve effective highways management. This includes engaging with local residents, with the street inspection and highways repairs teams working closely together in local neighbourhoods
- Using Capita Symonds' energy management team to help reduce energy use in our business centre by 13.6%, contributing to a reduction in the local authority's CO₂ emissions
- Volunteering in 8 local schools, including giving career talks, and offering work experience places.



Engaging and supporting local communities

Investing in local communities

In addition to the benefits our business and services bring to the local communities, we also donate our time, skills and money to local community projects. We often work collaboratively with other local businesses, helping to build and strengthen relationships to make a real difference in the most effective way.

Our employee volunteering scheme encourages our employees to use their skills, experience and resources to support their local communities. They can get involved in one-off volunteering projects or longer-term initiatives such as mentoring and helping young people to improve their literacy and numeracy skills. In 2011, we will underline our commitment to investing in our local communities by introducing a new Group-wide volunteering policy.



We donate our time, skills and money to community initiatives

Our programme benefits not only the community, but also our employees and the whole business. It gives our employees the opportunity to use existing skills and develop new skills outside their working environment. By making a meaningful contribution to their local communities it helps to improve their morale, motivating them and increasing our employee retention rate. It also demonstrates our local engagement and support, enhancing our reputation, which can help with the recruitment of potential new employees.

We use the London Benchmarking Group methodology to capture information about our community investment and to put a monetary value on our contribution. As the Group is made up of a wide range of geographically spread operations, the extent of our data capture is limited. In 2010, we estimate that our total community investment was £1.65m, (2009: £1.4m) based on data captured from approximately 60% of the Group.

Sharing our skills through mentoring

Through our volunteering scheme, one of our employees, Robin Perry, is mentoring a social enterprise called Social Spider, which specialises in health and community related publications and activities. He has used his skills to introduce a business development system to help improve sales performance, as well as facilitating introductions with relevant public and third sector contacts. Future initiatives include reviewing the business plan to maximise focus and adaptability in what is expected to be an increasingly challenging market for social entrepreneurs.

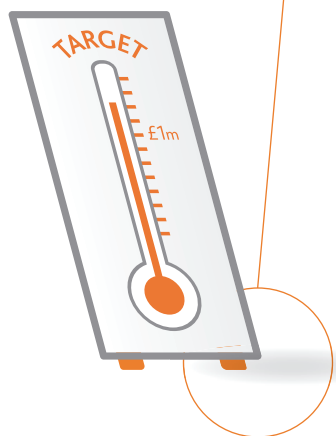


"It's been very useful to get the benefit of Robin's insights... It has been helpful to draw on his experience and perspectives to develop new approaches to our strategy."

Social Spider's David Floyd

Engaging and supporting local communities

£1.4m
has been raised for
Macmillan Cancer
Support since our
partnership began



Supporting charity partners

Our 'Capita Helping Hands' charity programme helps to engage employees by giving them the opportunity to build relationships with people from other parts of the business, while supporting worthwhile causes, keeping fit and having fun.

We support one corporate charity partner and numerous other smaller, local charities. In 2008, our employees chose Macmillan Cancer Support as our corporate charity partner and we set ourselves a target of raising £1 million through our partnership.

Our central charity team organises Group-wide activities throughout the year, including Charity Week. Our 'Capita Challenge' fundraising event gives employees the opportunity to take part in an adventure race day involving both mental and physical challenges. Points are awarded for completing challenges as well as raising money for charity. In 2010, over 400 employees took part, raising £68,000 for charity. Since launching the event in 2006 we have raised over £250,000.

The central charity team is supported by a network of charity champions across the business who help to promote initiatives and organise events in their individual offices. They get involved in all kinds of fundraising activities including dress-down days, sweepstakes, raffles and cake sales. Some of our charity champions have taken on even bigger challenges including climbing Mount Kilimanjaro, running marathons and organising cross-Group sports competitions.

We have a central payroll giving scheme and in 2010, we were awarded the Silver Payroll giving award, recognising the 1,400 employees who donate through it to over 219 charities. Through our matched funding scheme we also support our employees in their individual charitable efforts, donating £88,000 in matched funding in 2010.

At the end of 2010, we had exceeded our corporate charity partnership target by raising over £1.4 million for Macmillan Cancer Support since the partnership began.

Our employees have now chosen the Alzheimer's Society as our new corporate charity for the next 2 years and we have set ourselves a target of raising £1 million by the end of 2012.

See our progress against our sustainability priorities on page 40

"I've been raising money for charity for many years and I've been really fortunate to have continued support through Capita's matched funding scheme and the support of my colleagues across our operations – a true Capita team effort."

Tina Nolan, a charity champion from our TV Licensing contract

Engaging and supporting local communities

Supporting communities in which we work

In 2010, we have supported numerous community projects and local charities including:

- Developing an outdoor area for autistic students at Armstrong House in Southampton
- Renovating a youth club in Sea Mills, Bristol
- Volunteering at a community sports day in London
- Taking part in a fun run to support The James Hopkins Trust in Gloucester
- Providing funding for teachers and supplies at a school for street children in Mumbai, India
- Organising a health camp in conjunction with the charity Aasara in Thane, India to educate parents and children on personal hygiene and provide medication
- Providing funding for marshals to ensure young people walking to and from their mosque in Blackburn are safe in the evening
- Mentoring students at Mullingar community college in Ireland
- Creating a sense garden project at Woodside Centre for Deaf and Blind individuals in Bristol.



Sustainability in action: Harrow Council strategic partnership

A better deal for residents



The challenge

In September 2005, we entered into a partnership with Harrow Council to transform the way the Council delivers services to its residents.

Our approach

We developed a borough-wide transformation programme which has enabled us to drive through improvements to the Council's systems and radically improve services for Harrow's citizens.

The result

Improved access to web-based services, together with the Harrow Clicks initiative, has increased online transactions by 133%, saved over £200,000 and enhanced user experience. Introducing new technology to the waste management system has reduced fuel costs by 15% and will save £3.1 million over ten years. Educating citizens about recycling has cut the amount of waste sent to landfill by 18% and improved relationships between council employees and the public. Improvements to the special needs transport system have cut costs by 15% and made independent travel possible for adults and children with special needs.



1 GPS enabled waste management

We transformed waste management at the Council by introducing new back office systems, route planning, GPS enabled mobile working and real time integration with the contact centre. Drivers now have a real time link with the contact centre and can deal with missed bin requests in minutes instead of hours. They can also report 'contaminated' waste that can't be collected – plastic bags in a garden waste bin for example. Residents receive a text or phone call telling them why their bin wasn't collected along with information about recycling. With 550 contaminated bins reported daily, the Council has a huge opportunity to educate residents about recycling.



Quicker response

95 new buses



2 Special needs transport

We developed an assessment and independent travel centre to offer improved services to those with special needs. We introduced route planning software to maximise the efficiency of bus routes and a fleet of 95 new buses, improving passenger comfort and increasing customer satisfaction.

3 Accessibility to services

We designed and delivered an accessibility plan to make access to council services as simple and easy as possible. This has been delivered through a mix of personal contact through the One Stop Shop contact centre and improved web-based services. Part of the initiative is Harrow Clicks – a campaign to educate citizens about the myriad transactions and services that can be accessed online.



Self service

5 Self-service technology in libraries

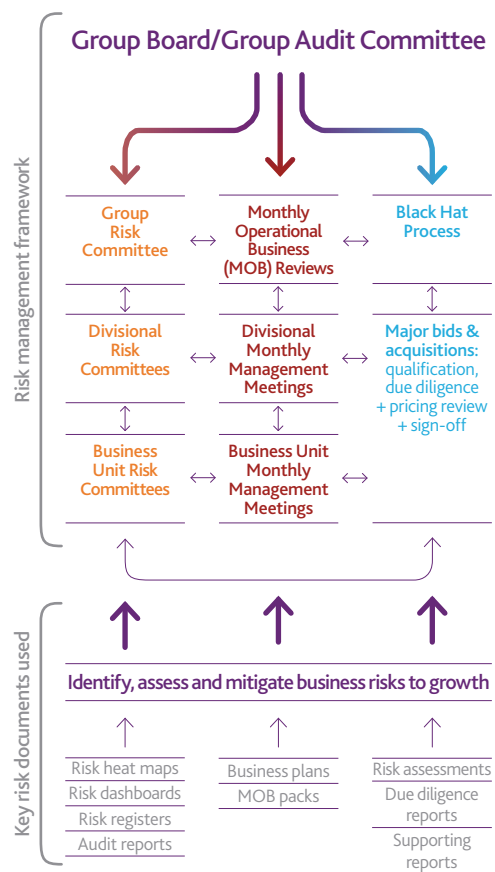
The introduction of RFID technology into Harrow's libraries has enabled a system of self-service. We have also introduced an online payment facility which, together with the self-service system makes borrowing and returning very simple.

4 Flexible and mobile working

We introduced a flexible, trusted and modern workforce infrastructure which encourages a culture of part time, flexi time and home-working. This more tailored approach puts council employees in a better position to support the community and helps us to employ a more diverse workforce.



Risk management framework



Maintaining a strong structure and control

Our management structure and business reporting process promote accountability and knowledge sharing across the Group, keeping management responsive to performance and trends in the business and the wider marketplace.

Our Group Board is responsible for establishing, maintaining and reviewing the Group's growth strategy, financial performance, systems of internal control and Group-wide policies.

The Joint Chief Operating Officers and the Divisional Board Directors are responsible for the development and performance of the divisional businesses. They communicate and monitor the application of Group-wide business objectives, policies, procedures and standards. They work with and delegate responsibility to their management teams.

Each of our business units prepares a comprehensive annual business plan. This includes monthly revenue and cost forecasts for the year ahead, taking into account new service and product developments and changes in the competitive landscape. The business units' financial plans feed into the Group financial model.

Monthly operational business (MOB) reviews focus on the performance of each business unit in each division. Management teams assess each unit's performance against plan and discuss its ongoing development, determining how planned targets will be met. These are forums to share knowledge and identify challenges early, develop tactics, reallocate resources and refresh strategies. Board Executive Directors attend divisional MOB, ensuring they have a detailed knowledge of the progress of the divisions and a monthly view of actual and anticipated performance against business plans.

Capita maintains a comprehensive framework of policies and procedures in order to meet its legal and regulatory obligations. This is supported by a mix of centrally and locally co-ordinated employee training programmes in the relevant business areas.

Our Group compliance team keeps the framework under constant review to ensure that legislative and regulatory change and emerging regulatory developments are taken into account and communicated across individual business areas. For more information about all our policies, visit www.capita.co.uk/corporate-responsibility/pages/policies.aspx

Maintaining careful risk management

Taking controlled risks is an important ingredient in our continued growth and success. We are therefore focused on thoroughly assessing risks and understanding which risks can be controlled and mitigated and those that are outside of our control. Where we believe that rewards are sensibly balanced against controllable business risks then we will proceed with specific business developments, such as new contracts and acquisitions.

Systems and procedures are in place across the Group to identify, assess and mitigate major business risks that could impact the delivery of our growth strategy. Monitoring our exposure to risk is an integral part of the MOB process.

Across a number of our businesses, including all the regulated businesses, the MOB process is supplemented by formally constituted risk committees and a "Black Hat" process to discuss and seek Board approval regarding acquisitions and major bids. 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.

Sustainability progress and performance

| Objectives | 2010 progress | 2011 target |
|---|--|---|
| Creating a framework for sustainability | | |
| Continue to create sustainable growth and deliver healthy investor returns | We continued to grow our dividends in line with our earnings, with a dividend increase of 19% | ✓✓ We will maintain a strong structure and controls, focusing on clear financial KPIs and delivering value to our shareholders |
| Engage further with stakeholders, using research to confirm that we are continuing to address our key impacts and that our reporting continues to meet our stakeholders needs | We continued to engage with our stakeholders on a regular basis – using stakeholder surveys, meeting with investors and participating in socially responsible investment surveys | ✓✓ We will continue to engage with all our stakeholders and review our priority impact areas |
| Sustainability Steering Group to meet quarterly. Establish a Sustainability Committee including external representatives to challenge and develop our CR strategy | Our Sustainability Steering Group met twice in 2010 and reported regular progress updates throughout the year. We didn't achieve our target to set up a CR Committee | ✓ Sustainability Steering Group to meet quarterly. Establish a Sustainability Committee with external representatives |
| Continue to manage and grow our business responsibly and ensure that where there are business-specific risks, appropriate procedures are in place to address them | We continued to manage our business responsibly, with our robust management process and by ensuring that we maintained careful risk management. Our risk register was reviewed and updated in 2010 | ✓✓ Continue to manage our business responsibly, ensuring that we have the right processes in place to identify and mitigate major business risks that could impact the growth of our business |
| Ensure our employees are aware of our ethical code of conduct and statement of business principles | Both policies were promoted on our employee intranet. Our ethical code of conduct was reviewed and updated in 2010, in light of the new Anti-Bribery Act which will be introduced in 2011 | ✓✓ Continue to promote these policies across the Group, ensuring that all our employees know the standards of behaviour we expect them to meet |
| Establish clear targets across our key priority areas for 2010 and collect information and data across the business to monitor our progress | We monitored our progress against the targets that were set for 2010, and our performance was communicated via our business reporting processes | ✓✓ Our Sustainability Steering Group have set new targets to achieve in 2011, and we will continue to monitor our progress and performance against each of these targets |
| 1. Responding to our clients' needs | | |
| Continue to build our scale and capacity through our network of business centres, enabling us to provide our clients with flexible service solutions | In 2010, we expanded our service capability in India. By having the right resources in place, across our different business centres, we ensured that we have the operational scale and capability to deliver our clients' services | ➤ We will continue to use our network of business centres to offer clients a delivery model to suit their needs. In 2011, we will be creating a new service delivery capability in Continental Europe |
| Continue to benefit clients' operations through improved service delivery and add real business value for clients and the wider community | We continued to improve service delivery for our clients, meeting the KPIs set and maintaining a high level of client retention | ➤ Continue to focus on improving service delivery and adding value beyond our contractual agreements |
| Manage our clients' services responsibly and adhere to all legal requirements regarding data protection and information security | We continued to manage services responsibly and ensure that all our employees completed our information security, data protection and fraud awareness training | ✓✓ Review our employee training programmes and update where appropriate. Continue to ensure all employees complete the training on an annual basis |

Key

| | |
|----|-----------------|
| ✓✓ | Achieved |
| ✓ | Partly achieved |
| ➤ | Ongoing |
| ✗ | Not achieved |
| * | New |

Sustainability progress and performance

| Objectives | 2010 progress | 2011 target |
|---|---|---|
| 2. Strengthening our culture | | |
| Increase the network of diversity champions and continue to hold regular forums to report progress on our diversity action plan. Provide training to the champions to support them. We will use the results from our employee survey as an indicator of our year-on-year progress | Network of diversity champions increased across the Group. 3 forums were held in 2010, including a training session to ensure diversity champions were equipped with the right skills and knowledge and to update them on the new Equality Act. Online diversity awareness training was also updated in light of the changes in regulations | ✓✓ Hold diversity forums on a regional level to encourage direct integration with business units to support local initiatives. Continue to recruit champions to ensure all areas of Capita are represented. All employees must complete the updated diversity awareness training by the end of 2011 |
| Continue to employ people local to our operations where possible | In 2010, we employed 37,000 with 10.4% of our workforce based in India. Where our operations increased we looked to recruit from the local areas. We advertised jobs in local papers, held recruitment fairs and also worked with local job centres | ➤ We will continue to recruit from the local areas where our operations are based. This includes our overseas businesses as well as within the UK |
| Continue to promote our employee awards scheme 'Capita People Awards' and encourage regular recognition events within all businesses and divisions | In 2010, we continued to recognise our employees through the scheme, inviting 250 finalists to an awards ceremony | ➤ We will continue to recognise our employees through the ongoing promotion of the 'Capita People Awards' Scheme. Changes have been made to the co-ordination and judging arrangements in 2011 to reflect our new Divisional structure |
| Repeat the employee survey in 2010. Aim to increase the response rate by promoting the survey more widely across the business | We completed an employee survey in 2010, with 32% of employees providing feedback on where we are performing well, and areas where we need to improve. Local surveys were also completed with questions specific to individual businesses | ✓✓ Repeat Group-wide employee survey in 2011, encouraging employees to provide feedback. This allows us to track our progress on a year-by-year basis and monitor employee engagement |
| Continue to engage with our trade union partnership arrangements | We continued to engage with trade unions where appropriate. We have national partnerships with PCS, UNITE and UNISON. Commenced discussions with our union partners to support learning and skills development of our employees | ➤ We will focus on supporting our employees to build and develop their skills through collaborative engagement with unions and their learning representatives. A framework of local and national meetings across all unions is in place which both the businesses managers and HR representatives attend to enable open dialogue and resolution of issues |
| Continue to attract and retain talented, ambitious people to drive the strategic direction of the Group | In 2010, our senior management retention rate decreased slightly to 84% (2009:88%). Succession planning is a key element of our strategy to ensure that we have the appropriate resources in place to support our growth | ✓✓ Succession planning framework will be adopted across the business. Leadership development will be a key focus |
| Continue to attract and retain the right people across the business | In 2010, our overall employee retention rate was 83% (2009:84%) slightly lower than the industry average (86.5% based on data from CIPD) | ✓✓ In 2011 we aim to maintain our positive retention rate. We will also focus on using online tools and promotion to attract the right people |
| Promote the Capita Academy to all employees. Review feedback and ensure content is refreshed. Ensure that all employees have a development plan in place and receive training through the appropriate channel | We continued to use the Capita Academy and the Capita Managers Academy to deliver training to our employees. In 2010, we invested £8.3m in training, delivering 6,327 training days through this programme | ➤ Complete the roll out of a learning management system and continue to promote Capita Academy. Ensure that all employees complete diversity awareness training, fraud prevention awareness, data protection and information security through Capita Academy on desktop |

Key

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| ✓✓ | Achieved |
| ✓ | Partly achieved |
| ➤ | Ongoing |
| ✗ | Not achieved |
| * | New |

Sustainability progress and performance

| Objectives | 2010 progress | 2011 target |
|--|---|--|
| 2. Strengthening our culture continued | | |
| Continue to support manager training through Capita Manager Academy, including Institute of Leadership and Management (ILM) accreditation | Over 2,500 days training were delivered to our senior managers in 2010. Managers who complete a range of business and personal development courses have the opportunity to gain an externally accredited ILM Level 3 qualification in first line management | ✓✓ Increase investment in management and leadership development to support the continued growth of the Group and senior management opportunities |
| Expand our vocational learning programme to include Capita sites in Scotland. Develop a way to deliver this solution to external organisations in the local communities where we work | Vocational training has been delivered in our Scottish sites. We did not extend the training programme to our local communities | ✓✓ Continue to promote and develop the Vocational learning programmes across the Group |
| Keep working to reduce our accident frequency rate. Recognise the importance of developing a positive safety culture to reduce unsafe behaviour and the key role that managers play in that process. We aim for 20% of all line managers to complete our new internal Health and Safety course in 2010 | In 2010, our RIDDOR accident frequency rate decreased to 1.43 per 1,000 employees (2009: 1.65). We continued to provide training to all employees and all our senior directors are expected to attend the IOSH Safety for Senior Directors course every three years. In 2010, 130 senior directors completed the course | ➤ Continue working to reduce our accident frequency rate. In 2011, we aim to launch a new system to help us take a proactive approach to reducing accidents, and comply with legal obligations to record, report and investigate accidents, incidents and near misses in the workplace. The platform, will enable us to record this information online and maintain a centralised database of real-time accident, incident, and near miss data, and generate consistent management reports |
| Continue to monitor and measure workplace-related illness | We used our online HR administration system to monitor employee absence rates, allowing managers to identify any potential areas of concern. In 2010, our employee absence rate was 3.37% | ➤ We will continue to monitor employee absence rates across the Group and address any potential areas of concern. We will also continue to work to improve the health and wellbeing of our employees with campaigns on our employee intranet |
| Continuous improvement in health and safety training | | * We aim to launch an employee training course (with an associated test) to help ensure that we are meeting our legal obligations relating to Display Screen Equipment (DSE). This will teach our employees to recognise the potential health risks involved in using DSE. Once the training and test have been completed, employees can then complete their self-assessment. Answers are stored in a database to allow the Group SH&E team to specify any necessary remedial action |
| Continue to improve the overall audit score in SH&E audits and ensure that we deliver our cross audit programme | We improved our audit score from 91% in 2009 to 93% in 2010 | ✓✓ Continue to monitor and improve our score in the SH&E audits |
| To continue to support part-time working, job sharing and flexible working hours where possible | We continued to offer our employees flexible working hours where possible, supporting part-time working and job sharing. In 2010, 14% of our employees worked part time | ✓✓ We will continue to offer our employees flexible working hours where possible |
| Monitor the number of 'Slips, Trips and Falls' claims. Launch a 'Slips, Trips and Falls' campaign to increase employee awareness of possible hazards | The number of claims fell from 10 in 2009 to 3 in 2010. A number of individual businesses ran employee awareness campaigns | ✓ We will launch a Group-wide employee awareness campaign during 2011 |

Key

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| ✓✓ | Achieved |
| ✓ | Partly achieved |
| ➤ | Ongoing |
| ✗ | Not achieved |
| * | New |

Sustainability progress and performance

| Objectives | 2010 progress | 2011 target |
|---|--|---|
| 3. Managing our supplier relationships | | |
| Audit all strategic suppliers annually | All our strategic suppliers were audited during 2010 | ✓✓ We will continue to work with our strategic suppliers and audit them against our standards of business on an annual basis |
| Continue to work with strategic suppliers to review their supply chains | We reviewed the supply chains of a limited number of strategic suppliers in 2010 | ✓✓ We will increase the number of reviews made of our strategic supplier's supply chain |
| Continue to maintain and increase the number of supplier audits across Group suppliers | We increased the number of supplier audits completed across our supplier base. In 2010, 55% of all our suppliers were audited | ✓✓ Our central procurement team will work with our procurement specialists across the business to increase the number of supplier audits undertaken |
| Promote our responsible procurement policy across Group suppliers and promote the use of audited suppliers | Continued to promote our responsible procurement policy and the use of audited suppliers by our procurement specialists across the Group | ✓✓ A new revised responsible procurement policy will be issued to all procurement specialists across the Group in 2011 |
| All new suppliers must register via our online registration portal, ensuring that they adhere to our policies and meet our sustainability and business standards. This will allow us to identify and mitigate risks in our supply chain more easily | All suppliers registered via our online registration portal | ✓✓ We will continue to use the online registration portal to monitor and manage our suppliers |
| Improve opportunities for SMEs to supply to Capita | | * We will increase usage of the online portal when sourcing goods, ensuring that all registered suppliers that meet our criteria are invited to participate in the procurement process. This will help to remove barriers for SMEs to participate |
| Use information from the new online supplier registration portal to monitor and measure our work with SMEs | We made limited progress against this target due to the reporting functionality of the online registration portal | ✗ We will work with our provider to develop the online supplier registration portal to enhance the reporting functionality, in order to accurately monitor and measure our work with SMEs |
| Continue to identify opportunities where we can work with suppliers to help manage our environmental and social impacts | We continued to work with suppliers to introduce new environmentally responsible products. We also looked at the logistics of delivering goods. In 2010, we continued to work with our stationery supplier to reduce our carbon emissions and use cargo cycles, instead of vans, to deliver orders to our London offices | > We will continue to work with our suppliers to help improve both ours and their sustainability credentials |
| Hold a supplier engagement conference in 2010 | We did not achieve this target in 2010 | ✗ Our central procurement team will organise a supplier engagement conference in 2011 |

Key

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| ✓✓ | Achieved |
| ✓ | Partly achieved |
| > | Ongoing |
| ✗ | Not achieved |
| * | New |

Sustainability progress and performance

| Objectives | 2010 progress | 2011 target |
|---|--|--|
| 4. Running a resource-efficient business | | |
| Continue to monitor, measure and manage our carbon footprint, reducing intensity by 4.5% annually for Scopes 1 and 2 | We continued to monitor, measure and manage our carbon footprint. We reduced our carbon intensity across our UK operations by 3%, and by 1.7% for the whole Group, including our operations in India | Continue to work towards reducing our carbon intensity by 4.5% |
| Continue to report results in our Annual and CR reports. Take part in the Carbon Disclosure Project | Completed the Carbon Disclosure Project and were awarded joint 6th place in the Carbon Disclosure Leadership Index. We reported our carbon footprint in our Annual and CR reports | Complete the Carbon Disclosure Project again and maintain a top ten position. Continue to report our carbon footprint in our Annual and Sustainability report |
| Complete the introduction of automatic meter readings (AMR) across the Group to meet our Carbon Reduction Commitment (CRC) obligations | Automatic meter readings were installed at all CRC obligated sites. We continued to expand our energy reduction programme, which has achieved energy savings of 39% since it began | Develop systems to make best use of the AMR data collected |
| Targeted campaign to reduce business travel across the Group. Continue to promote the use of voice and video conferencing | Continued to promote teleconferencing with 179,000 calls made in 2010, an increase of 54% compared with 2009. We also introduced video conferencing suites at a number of our sites | Install video conferencing suites at an additional 9 sites across the UK, Europe and India |
| Cap our emissions at 160gm/km. Roll out vehicle tracking system where appropriate across the Group | We achieved this target, capping the emissions for all our company cars at 160gm/km. We continued to add more 'green cars' to our fleet, and are currently trialling the use of electric cars with employees based in London | Review our company car policy and look to further reduce the cap on emissions. We will continue to monitor the progress of the use of electric vehicles and look to work with businesses to introduce these vehicles where appropriate |
| Work with the Energy Savings Trust to validate and improve the carbon footprint of our fleet vehicles, and work towards getting full accreditation from Motorvate | Continued to work with the Energy Savings Trust towards gaining Motorvate accreditation | Complete analysis of data collected in 2010 and develop recommendations to improve the environmental performance of our fleet vehicles |
| Continue to achieve accreditation where appropriate, including any new high-impact sites | In 2010, a total of 51 sites had achieved ISO 14001. We will continue to achieve this accreditation where appropriate | Continue to add additional sites as appropriate |
| Continue to run the Cycle to Work scheme in 2010 | We promoted the Cycle to Work scheme to all employees as well as the use of other alternatives to car travel | Run the Cycle to Work scheme again in 2011, encouraging employees to sign up via our employee intranet |
| Work with MITIE to identify opportunities to improve our waste management and costs across the Group | Capita did not sign a contract with MITIE until the end of 2010, and so we were unable to start working collaboratively with them until 2011 | Work with MITIE to start data collection across sites where Capita manage the whole building and develop improved waste management options. We have set ourselves a target to recycle 80% of all waste at our top 20 sites by 2014 |
| Hold 'Going Green' week in 2010 to specifically target a reduction in business travel. We will also encourage employees to take part in voluntary projects that tackle climate change | We engaged with employees through our 'Going Green' week, promoting initiatives to reduce business travel as well as inviting them to submit ideas for areas where improvements could be made | Hold another 'Going Green' week in June 2011 |

Key

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| ✓✓ | Achieved |
| ✓ | Partly achieved |
| ➤ | Ongoing |
| ✗ | Not achieved |
| * | New |

Sustainability progress and performance

| Objectives | 2010 progress | 2011 target |
|---|---|--|
| 5. Engaging and supporting local communities | | |
| Relaunch and increase promotion of our community investment programme 'Capita Commit' to all employees. We will continue to increase employee involvement across the Group, setting a new target of 15% of employees volunteering in 2010 | We promoted our community investment programme through our employee intranet, increasing the number of employees taking part in volunteering activity ✓ | We aim to introduce a Group-wide employee volunteering policy to increase the number of employees volunteering in their local communities |
| Continue to benchmark our activity and increase the data captured from across the Group, specifically across new contracts | We continued to use the London Benchmarking Group methodology to capture data about our community investment from across the Group. In 2010, we estimated that our total community investment was £1.65m, based on data captured from across 60% of the Group ✓✓ | Establish a network of employees across the Group to increase the amount of data collected so that we can get an accurate figure for our total community investment |
| Continue to back Macmillan Cancer Support through employee fundraising and corporate support. Increase awareness of its work through internal campaigns among employees. Select a new corporate charity partner in 2010 | In 2010, we raised a further £440k for Macmillan Cancer Support, taking the final total raised to £1.4m at the end of the partnership. Employees selected our new corporate charity partner for the next 2 years, Alzheimer's Society ✓✓ | We have set ourselves a target to raise £1 million for Alzheimer's Society over the next two years. We will continue to organise and promote employee fundraising across the Group in order to reach this target |
| Continue to provide support through our corporate donations | In 2010, we provided £0.7m in corporate donations to support our charity partner, employee fundraising and disaster appeals ✓✓ | We will continue to provide support through our corporate donations programme in 2011 |
| Launch a targeted campaign to increase uptake of our payroll giving scheme, in partnership with our professional fundraisers and new payroll giving administrator. Aim to achieve Gold Payroll Giving Quality Mark | In 2010, employee participation in the scheme increased slightly with 1,400 employees taking part. We did not reach our target to receive the Gold Payroll Giving Quality Mark ✓ | We will be launching a payroll giving promotion in March 2011 to increase the number of employees participating in the scheme, with the aim of achieving the Gold payroll giving quality mark |
| Continue to support employees' charitable activities through our matched funding scheme. Investigate the introduction of a local grant-making scheme | We provided £88,000 to support our employees' individual charity activities. In 2010, the number of applications for funding increased, and so we reviewed the scheme to ensure we could continue to provide additional funding to charities through the scheme. We did not progress the review of the introduction of local grant making ✓ | We will continue to support those employees who raise funds individually through our matched funding scheme |

Key

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| ✓✓ | Achieved |
| ✓ | Partly achieved |
| ➤ | Ongoing |
| ✗ | Not achieved |
| * | New |

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The Capita Group Plc

71 Victoria Street
Westminster
London SW1H 0XA

T 020 7799 1525

F 020 7799 1526

www.capita.co.uk