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If you sell or transfer or have sold or otherwise transferred all of your Shares, please send this document at once to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee. However, this document should not be forwarded, distributed or transmitted in or into any jurisdiction in which such act would constitute a violation of the relevant laws in such jurisdiction. If you have sold part of your holding of Shares in Capita plc ("Capita" or the "Company"), please retain this document and contact immediately the bank, stockbroker or other agent through whom the sale or transfer was effected.



CAPITA PLC

Incorporated in England and Wales with registered number 02081330

Proposed disposal of Capita's education software solutions business

Circular to Shareholders

and

Notice of General Meeting

This document should be read as a whole. Your attention is drawn to the letter from the Chairman of Capita which is set out on pages 6 to 14 of this document and which recommends you vote in favour of the Resolution to be proposed at the General Meeting referred to below.

Notice of a General Meeting of the Company to be held at Linklaters LLP, One Silk Street, London EC2Y 8HQ at 11:00 a.m. on 14 January 2021 is set out at the end of this document. On the date of this document, given prevailing Government guidance and in line with legislation relating to holding company meetings during the COVID-19 pandemic, it is expected that the General Meeting will be convened with the minimum quorum of Shareholders present (which will be facilitated by the Company) in order to conduct the business of the General Meeting. The well-being of our Shareholders is vitally important to Capita and, as we expect that Shareholders will not be able to attend the General Meeting due to the latest Government guidance, Shareholders should stay at home and vote by proxy on the Resolution. In the interests of health and safety, Shareholders (and any appointed proxies (other than the chairman of the General Meeting) or corporate representatives) will not be admitted to the General Meeting.

Capita will continue to closely monitor the latest Government guidance in respect of COVID-19 and how this may affect the arrangements for the General Meeting. If it becomes necessary or appropriate to revise the current arrangements for the General Meeting, further information will be made available on our website at www.capita.com/investors/shareholder-information/gm-shareholder-questions and/or via a Regulatory Information Service.

A member may appoint a proxy online by following the instructions for the electronic appointment of a proxy at www.capitashares.co.uk. To be a valid proxy appointment, the form of proxy should be completed so as to be received by the Company's Registrars, Link Asset Services as soon as possible but, in any event, so as to arrive no later than 11:00 a.m. on 12 January 2021. CREST members may use the CREST electronic proxy appointment service. Details of the CREST electronic appointment method are found in notes 12 to 15 of the Notice of General Meeting set out at the end of this document. If you are an institutional investor, you may also be able to appoint a proxy electronically via the proximity platform. Details of the proximity platform appointment method are found in note 16 of the Notice of General Meeting set out at the end of this document. Alternatively, hard copy forms for the appointment of a proxy are available on request from Link Asset Services: email enquiries@linkgroup.co.uk or call +44 371 664 0300. Calls are charged at the standard geographic rate and will vary by provider. Calls from outside the United Kingdom will be charged at the applicable international rate. Lines are open 9:00 a.m. to 5:30 p.m., Monday to Friday excluding UK public holidays. Under legislation relating to holding company meetings during the COVID-19 pandemic, the rights of shareholders to attend and vote at a meeting of the Company in person have been suspended for a temporary period beginning on 26 March 2020 and ending on 30 March 2021. As the General Meeting will be held during this period, Shareholders should stay at home and vote by proxy on the Resolution. In the interests of health and safety, Shareholders (and any appointed proxies (other than the chairman of the General Meeting) or corporate representatives) will not be admitted to the General Meeting. **The actions to be taken in respect of the General Meeting are set out in paragraph 12 of the letter from the Chairman of Capita which is set out on pages 6 to 14 of this document.**

For a discussion of certain risk factors which should be taken into account when considering what action you should take in connection with the General Meeting, please see Part II (*Risk Factors*) of this document.

Barclays Bank PLC ("**Barclays**") and Goldman Sachs International ("**GSI**"), each of which is authorised by the Prudential Regulation Authority ("**PRA**") and regulated in the UK by each of the PRA and the Financial Conduct Authority ("**FCA**"), are acting exclusively for the Company and no one else in connection with the Disposal. Neither Barclays nor GSI will regard any other person as its client in relation to the Disposal and will not be responsible to any person other than the Company for providing the protections afforded to clients of Barclays and GSI, respectively, or for the giving of advice in relation to the contents of this document or the Disposal or any transaction, arrangement or other matter referred to herein.

This document is dated 16 December 2020.

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EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Announcement of the Disposal	14 December 2020
Publication and posting of this document and the Notice of General Meeting	16 December 2020
Latest time and date for receipt of forms of proxy	11:00 a.m. on 12 January 2021
Latest time and date for receipt of CREST proxy appointment instruction	11:00 a.m. on 12 January 2021
Latest time and date for receipt of proxy appointment via proximity platform	11:00 a.m. on 12 January 2021
Record time and date for entitlement to vote at the General Meeting	6:00 p.m. on 12 January 2021
General Meeting	11:00 a.m. on 14 January 2021
Expected date of Completion subject to the condition being satisfied	1 February 2021
Long Stop Date	14 April 2021

Notes:

All references to time in this document are to London time unless otherwise stated.

The dates given are based on the Company's current expectations and may be subject to change. If any of the times or dates above change, the Company will give notice of the change by issuing an announcement through a Regulatory Information Service.

CORPORATE DETAILS AND ADVISERS

Directors	Sir Ian Powell Jonathan Lewis Gordon Boyd Gillian Sheldon Matthew Lester Georgina Harvey John Cresswell Baroness Lucy Neville-Rolfe Andrew Williams Lyndsay Browne Joseph Murphy	Chairman Chief Executive Officer Interim Chief Financial Officer Senior Independent Director Independent Non-Executive Director Independent Non-Executive Director Independent Non-Executive Director Independent Non-Executive Director Independent Non-Executive Director Employee Non-Executive Director Employee Non-Executive Director
Company Secretary .	Francesca Todd	
Registered Office . . .	65 Gresham Street London EC2V 7NQ United Kingdom	
Sponsor	Barclays Bank PLC, acting through its Investment Bank 5 The North Colonnade Canary Wharf London E14 4BB	
Financial Adviser . . .	Goldman Sachs International Plumtree Court 25 Shoe Lane London EC4A 4AU	
Legal Adviser	Linklaters LLP One Silk Street London EC2Y 8HQ	
Reporting Accountant and Auditor	KPMG LLP 15 Canada Square London E14 5GL	
Registrars	Link Asset Services The Registry 34 Beckenham Road Beckenham Kent BR3 4TU	

GENERAL INFORMATION

FORWARD-LOOKING STATEMENTS

This document may include certain forward-looking statements, beliefs or opinions, including statements with respect to the Group's or the Continuing Group's business, financial condition and results of operations. These forward-looking statements can be identified by the use of forward-looking terminology, including the terms "believes", "estimates", "plans", "anticipates", "targets", "aims", "continues", "expects", "intends", "hopes", "may", "will", "would", "could" or "should" or, in each case, their negative or other various or comparable terminology or by discussions of strategy, plans, objectives, goals, future events or intentions. These statements are made by the Directors in good faith based on the information available to them at the date of this document and reflect the Directors' beliefs and expectations. By their nature, these statements involve risk and uncertainty because they relate to events and depend on circumstances that may or may not occur in the future. A number of factors could cause actual results and developments to differ materially from those expressed or implied by the forward-looking statements, including, without limitation, developments in the global economy, the ongoing COVID-19 pandemic, changes in regulation and government policies, spending and procurement methodologies, currency fluctuations, a failure in the Group's or the Continuing Group's health, safety or environmental policies and other factors discussed in Part II (*Risk Factors*) of this document.

No representation or warranty is made that any of these statements or forecasts will come to pass or that any forecast results will be achieved. Forward-looking statements may, and often do, differ materially from actual results. Any forward-looking statements in this document speak only as of their respective dates, reflect the Directors' current view with respect to future events and are subject to risks relating to future events and other risks, uncertainties and assumptions relating to the Group's or the Continuing Group's operations and growth strategy. You should specifically consider the factors identified in this document which could cause actual results to differ before making any decision in relation to the Disposal. Subject to the requirements of the FCA, the London Stock Exchange, the Listing Rules and the DTRs (and/or any regulatory requirements) or applicable law, the Company explicitly disclaims any obligation or undertaking publicly to release the result of any revisions to any forward-looking statements in this document that may occur due to any change in the Company's expectations or to reflect events or circumstances after the date of this document. Neither the forward-looking statements contained in this document nor the statements in this General Information section seek to in any way qualify the working capital statement in Part VI (*Additional Information*) of this document.

No statement in this document is or is intended to be a profit forecast or to imply that the earnings of the Company or the Disposal Group for the current or future financial years will necessarily match or exceed the historical or published earnings of the Company or the Disposal Group.

Any information contained in this document on the price at which shares or other securities in the Company have been bought or sold in the past, or on the yield on such shares or other securities, should not be relied upon as a guide to future performance.

NO OFFER OR SOLICITATION

This document is not a prospectus and it does not constitute or form part of any offer or invitation to purchase, acquire, subscribe for, sell, dispose of or issue, or any solicitation of any offer to sell, dispose of, purchase, acquire or subscribe for, any security.

INFORMATION FOR OVERSEAS SHAREHOLDERS

The release, publication or distribution of this document in jurisdictions other than the United Kingdom may be restricted by law and, therefore, any persons who are subject to the laws of any jurisdiction other than the United Kingdom should inform themselves about, and observe, any applicable requirements. This document has been prepared for the purposes of complying with English law and the Listing Rules, and the information disclosed may not be the same as that which would have been disclosed if this document had been prepared in accordance with the laws and regulations of any jurisdiction outside of England.

PUBLICATION ON WEBSITE AND AVAILABILITY OF HARD COPIES

A copy of this document, together with all information incorporated into this document by reference to another source, is and will be available for inspection on the Company's website at www.capita.com/investors/shareholder-information/gm-shareholder-questions from the time this document is published. For the avoidance of doubt, the contents of the websites referred to in this document are not incorporated into and do not form part of this document.

If and to the extent that any document or information incorporated by reference or attached to this document, itself incorporates any information by reference, either expressly or impliedly, such information will not form part of this document, except where such information or documents are stated within this document as specifically being incorporated by reference or where this document is specifically defined as including such information.

In particular, information on or accessible through the Company's corporate website at www.capita.com and through the Disposal Group's corporate website at www.capita-sims.co.uk does not form part of and is not incorporated into this document.

If you have received this document in electronic form, you may request a hard copy of this document and/or any information incorporated into this document by reference to another source by contacting the Company's Registrars, Link Asset Services at The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU or between 9:00 a.m. and 5:30 p.m., Monday to Friday (excluding English and Welsh public holidays) on +44 371 664 0300, with your full name and the full address to which the hard copy may be sent (calls may be recorded and monitored for training and security purposes). Calls are charged at the standard geographic rate and will vary by provider. Calls from outside the United Kingdom will be charged at the applicable international rate.

PRESENTATION OF FINANCIAL INFORMATION

Percentages in tables may have been rounded and accordingly may not add up to 100 per cent. Certain financial data has been rounded and, as a result of this rounding, the totals of data presented in this document may vary slightly from the actual arithmetic totals of such data.

References to "m" are to "million".

References to "£", "p" or "pence" are to the lawful currency of the United Kingdom.

References to "\$" are to the lawful currency of the United States of America.

References to "€" are to the lawful currency of the member states of the European Union that have adopted the single currency in accordance with the Treaty establishing the European Communities, as amended by the Treaty on European Union.

CERTAIN DEFINED TERMS

Certain terms used in this document, including capitalised terms and certain technical and other items, are defined and explained in Part VIII (*Definitions and Glossary*) of this document.

PART I
LETTER FROM THE CHAIRMAN OF CAPITA PLC

(incorporated in England and Wales with registered number 02081330)

65 Gresham Street
London
EC2V 7NQ
United Kingdom
16 December 2020

Dear Shareholder

**Proposed disposal of Capita's education software solutions business
and
Notice of General Meeting**

1 Introduction

Capita continues to execute its overall strategy to simplify and strengthen the Group and its operations. On 25 June 2020, Capita announced its decision to focus on software capabilities which are better aligned with and support its consulting, transformation and digital business process outsourcing (“**BPO**”) services, and the vertical markets of the rest of the Group. As part of this announcement, Capita confirmed its intention to dispose of standalone software products that have little overlap or cross-sell with the rest of the Group as part of Capita’s ongoing work towards building a more focused, sustainable Capita for the long term.

The sale of Eclipse (Hardware) Limited, trading as Eclipse Legal Systems, a standalone legal process software product, for £56.5m was announced on 19 June 2020 and forms part of this intended approach.

On 14 December 2020, Capita announced the disposal of its education software solutions business to Tiger UK Bidco Limited, a newly formed private limited company incorporated in England and Wales, ultimately owned by funds advised by Montagu Private Equity LLP (the “**Purchaser**”) (the “**Disposal**”). The Disposal reflects the next stage in the implementation of Capita’s overall strategy to “simplify, strengthen and succeed”, as well as reaffirming its approach to its standalone software assets that have little overlap or cross-sell with the rest of the Group. Software capability remains critical to Capita’s strategy and Capita will retain software assets that are catalysts for growing its other services, providing microservices and client-centric solutions, built using flexible, scalable and reusable digital componentry in order to continue executing its strategy.

The education software solutions business is comprised of:

- Capita ESS Limited and Capita SIMS (India) Private Limited (together, the “**Disposal Group**”) which are owned by two wholly owned subsidiaries of Capita, Capita ESS Holdings Limited and Capita Cyprus Holdings Limited (the “**Sellers**”); and
- Capita Scotland (Pension) Limited Partnership's (the “**SLP**”) business and operations exploiting certain intellectual property rights to the Schools Information Management System (SIMS) software (the “**SIMS IPR**”) used by the education software solutions business (the “**SLP Operations**”).

In order to effect the Disposal: (i) Capita ESS Holdings Limited, the SLP, Capita Business Services Ltd (“**CBSL**”) and Capita have entered into a conditional share and intellectual property rights business purchase agreement with the Purchaser; and (ii) Capita Cyprus Holdings Limited and CBSL have entered into a conditional share purchase agreement with the Purchaser (the “**Sale Agreements**”, and each, a “**Sale Agreement**”). The SIMS IPR, which forms part of the SLP Operations being sold to the Purchaser by the SLP, is currently held in an asset-backed contribution structure (the “**ABF**”) for the benefit of the Capita Pension and Life Assurance Scheme (the “**Scheme**”). In order to effect the Disposal, the SIMS IPR will be released from the ABF ahead of Completion and a special contribution estimated to be approximately £50.2m will be paid to the Scheme (on behalf of CBSL) on Completion. See paragraph 1.5 of Part III (*Summary of the Transaction Agreements*) of this document for further details of the ABF Unwind.

The Disposal realises material value for Shareholders and will allow Capita to strengthen its financial position by reducing its leverage, supporting Capita's ongoing implementation of its transformation plan. The Disposal will also simplify the Group and provide additional liquidity, enabling it to focus on software capabilities which are better aligned with and support its consulting, transformation and digital BPO services, and the vertical markets of the rest of the Group.

The consideration payable pursuant to the Disposal is comprised of: (i) base consideration of approximately £298.5m, payable upon Completion to the Sellers and the SLP; and (ii) deferred consideration of £45m, which is conditional on certain future events (the "**Deferred Consideration**") and payable to Capita ESS Holdings Limited. In addition, the Purchaser will assume certain liabilities of the Disposal Group such as working capital and debt, valued at approximately £57m. Assuming the Deferred Consideration is received post-Completion, the total consideration represents an enterprise value of up to £400m for the Disposal Group (including for these purposes the SLP Operations) on a cash-free, debt-free basis.

The net cash proceeds from the Disposal receivable by the Sellers and the SLP at Completion are expected to be approximately £298.5m before tax and other transaction costs, including the payment by the Purchaser (on behalf of CBSL) of a special contribution estimated to be approximately £50.2m to the Scheme in respect of the ABF Unwind.

The principal terms of the Sale Agreements are described in more detail in Part III (*Summary of the Transaction Agreements*) of this document.

Due to the size of the Disposal in relation to the size of the Company, the Disposal constitutes a Class 1 transaction for the Company under the Listing Rules and is therefore conditional upon, amongst other things, the approval of the Shareholders. Accordingly, a General Meeting at which Shareholders will be asked to approve the Disposal is being convened at Linklaters LLP, One Silk Street, London EC2Y 8HQ at 11:00 a.m. on 14 January 2020 with the minimum quorum of Shareholders present (which will be facilitated by the Company) for the reasons set out in paragraph 12 of this letter. The Disposal is also subject to other conditions which are summarised in Part III (*Summary of the Transaction Agreements*) of this document.

The purpose of this document is to provide you with information on the Disposal, to explain the background to and reasons for the Disposal and why the Directors unanimously consider the Disposal to be in the best interests of the Shareholders as a whole, and to recommend that you vote in favour of the Resolution to be proposed at the General Meeting. The Directors intend to vote in favour of the Resolution at the General Meeting in respect of their own beneficial holdings of 703,623 Shares, representing approximately 0.04 per cent. of the Company's existing issued ordinary share capital (excluding treasury shares) at the Latest Practicable Date.

Your attention is drawn to paragraph 11 of this letter for more information on the importance of your vote.

2 Background to and reasons for the Disposal

As part of its ongoing strategy to "simplify, strengthen and succeed", the Company conducts regular reviews of its business to identify businesses which do not fit within the Company's core strategy. Following a strategic review of the Group's software division carried out over the past year, the Company has determined that the software division's strategic priority will be to focus on its portfolio of core software capabilities which are better aligned with and support the Company's consulting, transformation and digital BPO services and the vertical markets of the rest of the Group, and which are catalysts for growing the Group's other services.

The Disposal Group is a high-quality business which has been a valuable component of the Group since the Company's ownership of the Disposal Group began with the acquisition of SIMS in 1994 for total consideration of £10m, when its reported operating profit was £1.54m. Since then, the Company's ownership and investment has allowed the Disposal Group to expand its product offering through a combination of organic growth and acquisitions, such that it now provides market-leading management information systems to educational institutions in the UK and internationally with an operating profit of £52.8m for the year ended 31 December 2019.

However, the Disposal Group comprises some of the standalone software products that the Company considers to have limited overlap or cross-sell with the Continuing Group and therefore

are not considered by the Company to be core to achieving the software division's strategic priority. Therefore, the Company has concluded that it is now the right time to carry out the Disposal.

Further, the Disposal will allow the Group to strengthen its financial position by reducing its leverage and providing additional liquidity, supporting Capita's ongoing implementation of its transformation plan.

As a result, in July 2020 the Company commenced a competitive process to sell the Disposal Group.

3 Information on the Disposal Group

The Company's education software solutions business (comprised of the Disposal Group and the SLP Operations) is a UK-based provider of market-leading management information systems for educational institutions. The business aims to improve educational outcomes by providing software technology, apps and data and analytics solutions to support teachers, administrators, students and parents in their day-to-day administrative activities and communications, allowing them to dedicate more time and resources to focus on learning and improved educational outcomes.

The Disposal Group's primary information management system, "SIMS", supports over 19,000 schools in the UK and internationally with, amongst other things, completion of statutory and school critical processes. Further and higher education institutions in the UK rely on the Disposal Group's "UNIT-e" software technology to manage their student and staff records and to optimise the management of their institutions' data. The Disposal Group also offers, amongst other services, cost-effective solutions for cataloguing school and public libraries, finance management, payments and access to an ecosystem of over 150 API partners.

The Disposal Group's SIMS Pay business, a digital payments solutions business for the education sector carried on under the business name "SIMS Pay" (the "**SIMS Pay Business**"), along with the associated intellectual property rights used exclusively in the SIMS Pay Business, will be retained by Capita and will not form part of the Disposal.

Trading results for the Disposal Group

The table below summarises the trading results of the Disposal Group for the three years ended 31 December 2019 and for the six months ended 30 June 2020.

	Six months ended 30 June 2020 ⁽¹⁾	Year ended 31 December 2019 ⁽¹⁾	Year ended 31 December 2018	Year ended 31 December 2017
			£m	
Revenue	46.9	95.0	101.6	100.9
Operating profit	25.7	52.8	54.9	56.1
(Loss)/profit before tax	25.3	52.7	54.9	56.1
(Loss)/profit for the year	20.5	42.7	44.5	45.4

Notes:

(1) Figures presented for the six months ended 30 June 2020 and the year ended 31 December 2019 reflect the adoption of IFRS 16 Leases. The Disposal Group initially applied IFRS 16 Leases at 1 January 2019, using the modified retrospective approach. Under this approach, the comparative information is not restated and the cumulative effect of initially applying IFRS 16 Leases is recognised in retained earnings at the date of initial application.

(2) The income statement above excludes costs that will not be associated with the Disposal Group going forward, for example, costs of properties that are not transferring as part of the Disposal.

Unless otherwise stated, the financial information set out in this paragraph 3 has been extracted from Part IV (*Financial Information on the Disposal Group*) of this document. Shareholders should read the whole of this document and should not rely solely on the summarised financial information set out above.

4 Financial effects of the Disposal and use of proceeds

Financial effects of the Disposal

In the financial year ending 31 December 2019, the Disposal Group contributed operating profit of £52.8m to the Group. In the six months ended 30 June 2020, the Disposal Group contributed operating profit of £25.7m to the Group.

As at 30 June 2020, the total assets of the Disposal Group were £98.7m.

Following Completion, the Continuing Group will no longer receive the contribution the Disposal Group currently makes to the Group's operating profit. The pro forma effect of the Disposal on the net assets of the Continuing Group as at 30 June 2020, which has been prepared for illustrative purposes only, is set out in Part V (*Unaudited Pro Forma Statement of Net Assets*) of this document.

Use of proceeds

The net cash proceeds from the Disposal receivable by the Sellers and the SLP at Completion are expected to be approximately £271.8m after costs and expenses of £26.7m associated with the Disposal of which a special contribution estimated to be approximately £50.2m shall be paid by the Purchaser to the Scheme on behalf of CBSL in connection with the ABF Unwind.

The balance of the net cash proceeds receivable by the Sellers and the SLP at Completion, expected to be approximately £221.6m, and any Deferred Consideration receivable by Capita ESS Holdings Limited will be retained to strengthen the Group's balance sheet, provide additional liquidity and support the Group's ongoing strategy and transformation plan.

Following Completion and receipt of the net cash proceeds, the Original Bridge Facility and Supplemental Bridge Facility, each of which remains undrawn as at the date of this document, will be cancelled.

5 Information on the Continuing Group and future strategy

Following the Disposal the Continuing Group will continue to follow the Group's current strategy to "simplify, strengthen and succeed", and will continue to build a more focused, sustainable business for the long term and targeting growing free cash flow.

Software capability remains critical to the execution of the Continuing Group's strategy. Alongside disposing of standalone software products that have limited overlap or cross-sell with the Continuing Group to strengthen the Company's balance sheet, the Continuing Group will retain software assets that are catalysts for growing its other services, providing microservices and client-centric solutions, built using flexible, scalable and reusable digital componentry.

6 Trend information

On 18 August 2020, the Company published its results for the six months ended 30 June 2020. The Chief Executive Officer noted that:

"Capita and its people faced a challenging first half of the year, like many other companies. Thanks to our transformation progress over the last two years—and the hard work and professionalism of our colleagues—we were able to deliver a strong and decisive operational response to the COVID-19 crisis.

However, this crisis has come in a pivotal year for Capita when we had expectations of beginning to generate revenue growth and sustainable cash flow.

Instead, we have had to focus on managing our way through the crisis, while accelerating some strategic decisions, including our plan for [the Disposal].

We expect to make further disposals which, alongside other measures, will strengthen the balance sheet and help build towards a more focused, sustainable Capita for the long term. These are unprecedented times and we need to adapt but our strategy remains the right one".

The results announcement included the following summaries of the significant trends in the financial and operational performance of the Group for this period:

“Adjusted revenue in the first half has declined by 9% to £1,652.2m (H1 2019 £1,815.5m). Around 4% of this (c.£80m) relates to revenue lost due to the impact of COVID-19, mainly in transactional businesses and those where client end-markets were severely affected. We managed to offset this partially with Government contracts to support the Department for Work and Pensions in particular and which benefited half-year revenue by £32m. The remainder of the decline was expected, representing the impact of contracts lost in the second half of 2019, specifically local government contracts.

Adjusted profit before tax for the half year was £30.1m (H1 2019 £117.8m) on a post-IFRS 16 basis. The decline is due firstly to the net change in margin from revenue losses and wins from 2019, as we lost high contribution and margin contracts and renewed or won lower margin work, as well as the impact of revenue losses from COVID-19. We partially offset this with £129.5m of cost savings: £72.6m from our ongoing transformation programme and £56.9m in additional cost savings specifically as a result of COVID-19, such as lower travel and property costs and payroll savings, some of which are expected to continue into 2021. There is also a £42.6m non-cash charge for holiday pay accrual which is as a result of high levels of untaken holiday for our 60,000 colleagues; this is expected to reduce significantly in the second half. . .

. . . Adjusted cash from trading operations was £193.3m (H1 2019 £187.8m) as the improvement in underlying cash conversion along with cash preservation and profit protection measures offset the negative impact of COVID-19 and contract losses, as well as positive impact from contractual working capital. Adjusted free cash flow during the first half year was £176.0m (H1 2019 £30.1m), which in addition to the above impacts reflects the expected year on year reduction in capital expenditure and £77m of advance customer receipts. Further cash benefits including £117m of deferred VAT and £33m from a receivables financing facility, put in place for additional risk management, have contributed to a positive movement in headline net debt of £256.6m. Net debt at 30 June 2020 was £1,096.6m (31 December 2019 £1,353.2m), helped by these cash preservation initiatives, with covenants compliant with gearing ratios at 1.5x for the US notes and 2.1x on the Euro notes. Liquidity at 30 June was £704.1m.

As part of our ongoing transformation, we have continued to focus on delivering better quality service to our clients. We are also focused on reducing the cash burn on underperforming contracts as well as making the whole contract base more efficient. Over time this leads to more sustainable revenue from satisfied clients and higher profit and cash margins.

Previously we have focused on three large contracts that have underperformed historically, both operationally and financially: the Army Recruiting Partnering Project contract, Primary Care Support England and mobilcom-debitel. Operationally these are all now performing better, with [the Recruiting Partnering Project] achieving 96% of its soldier recruitment targets in the year to March 2020 (and would have achieved 100% had basic training not been paused due to the pandemic) and key performance indicators on the other two closer to targets. As a result of COVID-19-related restrictions we now expect profit across the three contracts to break even in 2021. We continue to target significant cash improvement on these and other cash-negative contracts, where poor execution in early transformation phases now results in cash-negative performance.

Our contract renewal rate for the Group is 70%, a reduction since 2019 as more regularly we have chosen not to bid for contracts where they do not align with strategy or we don't believe we can achieve acceptable margins. This renewal rate is partly a reflection of overall increases in customer satisfaction but in particular a positive result of our COVID-19 response and handling of the move to remote working and preserving service delivery wherever possible. There have also been pragmatic, short-term extensions during the pandemic as clients minimise change and disruption and we will continue to work with those clients to seek longer term renewals on better terms. . .

. . . At 30 June 2020 the orderbook was £6,273.8m, a decrease of £445.8m since December 2019. Around £400m of the decrease relates to two divisions, Government Services and Customer Management. . . Whilst we are expecting some recovery in both divisions in the second half of 2020, as evidenced by the recent TfL win, the timing of contract awards is uncertain.”

Since 30 June 2020, there has continued to be macroeconomic uncertainty affecting the markets in which the Continuing Group's businesses operate due to the ongoing COVID-19 pandemic.

Notwithstanding this uncertainty, current trading remains in line with the Board's expectations, as illustrated by the Company's announcement of 10 November 2020, which stated:

"the greater part of Capita's revenues have remained resilient, with the vast majority of our colleagues able to deliver services for our clients. . . . Our markets continue to experience a high level of uncertainty primarily as a consequence of the ongoing and unknown future impact of COVID-19. As previously stated this level of uncertainty makes any forecasting challenging. However, trading has remained in line with our expectations, and we continue to expect to comply with our debt covenants at 31 December 2020.

*. . . .
Our focus on our colleagues' wellbeing and client service delivery has helped us deliver a resilient performance across most of our operations. Despite the ongoing challenges caused by COVID-19, Capita has continued to trade in line with our expectations."*

The Board looks forward with confidence to the future of the Continuing Group with greater focus on its core capabilities and strategy.

As set out in paragraph 12.1 of Part VI (*Additional Information*) of this document, there has been no significant change in the financial position or financial performance of the Continuing Group since 30 June 2020, being the end of the last financial period for which interim financial information on the Group has been published.

7 Information on the Purchaser

The Purchaser is a newly formed private limited company incorporated in England and Wales, ultimately owned by funds advised by Montagu Private Equity LLP ("**Montagu**").

Montagu was established in 1968 and manages private equity funds that invest in a spectrum of portfolio companies (including in the technology and software sectors) across Northern Europe. Montagu has particular expertise in corporate carve-out transactions and is committed to working with management teams to unlock the full potential of their businesses. As at August 2020, Montagu had approximately €8 billion in assets under management.

8 Terms of the Disposal

The Disposal will be undertaken pursuant to the terms of the Sale Agreements and certain related agreements. A summary of the principal terms and conditions of the Transaction Agreements is set out in Part III (*Summary of the Transaction Agreements*) of this document.

9 Risk factors

For a discussion of certain risk factors which should be taken into account when considering what action you should take in connection with the General Meeting, please see Part II (*Risk Factors*) of this document.

10 General Meeting

Completion of the Disposal is conditional upon, amongst other things, Shareholders' approval being obtained at the General Meeting. Accordingly, you will find set out at the end of this document, a notice convening a General Meeting to be held at Linklaters LLP, One Silk Street, London EC2Y 8HQ at 11:00 a.m. on 14 January 2021 with the minimum quorum of Shareholders present (which will be facilitated by the Company) for the reasons set out in paragraph 12 of this letter (the "**Notice of General Meeting**") at which the Resolution to approve the Disposal will be proposed.

11 Importance of your vote

The Resolution must be passed by Shareholders at the General Meeting in order for the Disposal to proceed. The Disposal will enable the Company to strengthen its balance sheet by reducing its indebtedness and provide additional liquidity to enable the Continuing Group to focus on its portfolio of core software capabilities and its consulting, transformation and digital BPO services. The Board believes that a stronger balance sheet and improved liquidity will provide the

Continuing Group with the financial flexibility that it requires to support the delivery of its strategy and its ongoing transformation programme.

The Company is of the opinion that, after taking into account the net proceeds of the Disposal payable at Completion and the facilities available to the Continuing Group, the Continuing Group has sufficient working capital for its present requirements, that is, for at least the next 12 months from the date of publication of this document.

Consequences of the Disposal failing to complete

In connection with the Disposal and as part of the Group's five-year business planning process for 2021 onwards, the Board has closely monitored the Group's financial forecasts, key uncertainties and sensitivities. As part of this exercise, the Board has reviewed a number of scenarios, including base case and reasonable worst case scenarios, which included potential further impacts of COVID-19 on the Group's business.

If the Group's results over the relevant period were to be in line with the Company's current base case scenario, it would not be in breach of the financial covenants contained in its financing documents or have insufficient liquidity headroom at any point within the 12-month period covered by the working capital statement set out in Part VI (*Additional Information*) of this document, even if the Disposal does not proceed. The Company confirms that its outlook remains unchanged from that outlined in the trading update of 10 November 2020, in which it was announced that the Company's trading in the third quarter was "in line with our expectations" and that the Company "continue[s] to expect to comply with our debt covenants at 31 December 2020", albeit with limited covenant headroom without the receipt of the net proceeds of the Disposal.

If, however, the reasonable worst case downside scenario were to occur and the Disposal were not to proceed, and no other mitigating actions were able to be taken by the Company, the Company would have limited headroom in respect of the applicable leverage ratio covenant under each of the RCF Agreement, the Euro PP Documents, the Original Bridge Facility and the Supplemental Bridge Facility in respect of its 30 June 2021 covenant testing date. In addition, the Company would face a liquidity shortfall in January 2022. Therefore, in the event that the net proceeds from the Disposal are not received, there is a risk that the Company would be in breach of those leverage ratio covenants as at 30 June 2021, and would face a liquidity shortfall in January 2022.

If the reasonable worst case downside scenario were to occur and the Disposal were not to proceed, and the Company were to anticipate that a covenant breach was a possibility, it expects that it would require a waiver or amendment of the applicable leverage ratio financial covenants for the 30 June 2021 covenant testing date from the relevant creditors under each of the RCF Agreement, the Euro PP Documents, the Original Bridge Facility and the Supplemental Bridge Facility. If granted, such amendments and waivers would likely require the Company to incur additional costs (including amendment fees, increased interest payments and/or additional restrictions on its business).

On 14 October 2020, the Company and the relevant lenders agreed certain amendments to the leverage ratio financial covenant to increase headroom for each of the 31 December 2020 and 30 June 2021 covenant testing dates on a precautionary basis under the RCF Agreement, the Original Bridge Facility and the Supplemental Bridge Facility (insofar as the Disposal has not yet occurred). The Company has not obtained equivalent waivers and/or amendments in respect of the Euro PP Documents. If the reasonable worst case downside scenario were to occur, and the Company's actual performance were to be below the reasonable worst case downside scenario projections, and the Company had not obtained such amendments and/or waivers or taken other action to avoid a breach of its financial covenants when tested, certain events of default may be triggered.

The other actions that could be taken by the Company to avoid such a breach could include accelerating a disposal or disposals of assets, ceasing discretionary spending, reducing or ceasing capital expenditure, increasing cost efficiencies, delaying certain payments and/or accelerating cash receipts and/or seeking other forms of funding, which could include an equity raise. Any of the above actions may also be taken in order to mitigate the liquidity shortfall faced by the Company in January 2022.

There are a number of challenges to the implementation of the actions outlined above and there can be no assurance that they would be capable of implementation prior to the 30 June 2021

covenant testing date or anticipated date of liquidity shortfall, as applicable, nor that they would ultimately be successful in avoiding the outcomes identified above if they were implemented. In particular, the Company's ability to implement any such actions will be subject to constraints imposed by the time available to the Company before the 30 June 2021 covenant testing date and the need for participation, agreement and/or approval of third party stakeholders to effect certain of these actions. In addition, the ongoing COVID-19 pandemic may adversely impact the value and/or benefit obtained by the Company as a result of taking any such actions.

Consequences of a breach of financial covenants

In circumstances where the Company's covenant headroom were to be insufficient and such actions were not sufficient to avoid a breach of the Company's financial covenants when tested, events of default when triggered under the relevant loan and note documentation may permit the relevant creditors to demand the accelerated payment in full of the relevant amounts (principal, accrued interest and other fees) outstanding at the time of the breach and/or a cross-default in relation to the Group's other financing arrangements may occur.

If an event of default were to occur in accordance with the terms of the relevant loan and note documentation, the Company would not be able to draw under the RCF Agreement or, to the extent that such facilities remain available at the relevant time, the Original Bridge Facility or Supplemental Bridge Facility, and does not expect that it would have access to funds immediately available to repay such amounts at that time. In such circumstances, the Company may take alternative measures, including a disposal of assets, a restructuring of its debts on a consensual basis or otherwise, seeking to secure other forms of funding (such as through a pre-emptive or non-pre-emptive equity issuance, a new equity restructuring either with private capital investors or by a conversion by the Company's lenders of existing debt into equity) or seeking to re-engage with creditors to obtain an amendment or waiver. Any of the above actions may also be taken in order to mitigate the liquidity shortfall faced by the Company in such circumstances, alongside seeking additional liquidity through debt finance options. However, there is no guarantee that the aforementioned actions would succeed and, as a result, Shareholders would then be at risk of losing all or a substantial amount of their investment in such circumstances.

There can be no assurance that the reasonable worst case downside scenario will be avoided or that the Company's limited covenant headroom will be sufficient in circumstances where the Company's actual performance is below the reasonable worst case downside scenario projections, in particular given the ongoing uncertainty caused by the COVID-19 pandemic, and, if it is not, there can be no assurance that the alternative actions outlined above would be capable of implementation in the time available nor that they would ultimately be successful. Accordingly, the Board believes that the successful completion of the Disposal is in the best interests of Shareholders as a whole.

As such, Shareholders are asked to vote in favour of the Resolution at the General Meeting so that, assuming that the other conditions to the Disposal are satisfied, the Disposal can proceed.

12 Action to be taken

Your support is important to Capita. Given prevailing Government guidance and in line with legislation relating to holding company meetings during the COVID-19 pandemic, it is expected that the General Meeting will be convened with the minimum quorum of Shareholders present (which will be facilitated by the Company) in order to conduct the business of the General Meeting. The well-being of our Shareholders is vitally important to Capita and, as we expect that Shareholders will not be able to attend the General Meeting due to the latest Government guidance, Shareholders should stay at home and vote by proxy on the Resolution. In the interests of health and safety, Shareholders (and any appointed proxies (other than the chairman of the General Meeting) or corporate representatives) will not be admitted to the General Meeting.

Capita will continue to closely monitor the latest Government guidance in respect of COVID-19 and how this may affect the arrangements for the General Meeting. If it becomes necessary or appropriate to revise the current arrangements for the General Meeting, further information will be made available on our website at www.capita.com/investors/shareholder-information/gm-shareholder-questions and/or via a Regulatory Information Service.

To register your proxy vote online, visit www.capitashares.co.uk where details of the procedure are shown. Your form of proxy should be submitted as soon as possible and, in any case, so as

to be received no later than 11:00 a.m. on 12 January 2021. When you first register on the share portal, you will need your "Investor Code" which can be found on your share certificate.

If you hold your Shares in CREST, you may appoint a proxy by completing and transmitting a CREST proxy appointment instruction form so that it is received by the Company's Registrars, Link Asset Services, Proxy Department (under CREST participant ID RA10) by no later than 11:00 a.m. on 12 January 2021. The time of receipt will be taken to be the time from which the Company's Registrars, Link Asset Services is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.

If you are an institutional investor you may also be able to appoint a proxy electronically via the proxymity platform, a process which has been agreed by the Company and approved by the Registrar. For further information regarding proxymity, please go to www.proxymity.io. Your proxy must be lodged by no later than 11:00 a.m. on 12 January 2021 in order to be considered valid. Before you can appoint a proxy via this process, you will need to have agreed to proxymity's associated terms and conditions. It is important that you read these carefully as you will be bound by them and they will govern the electronic appointment of your proxy.

Alternatively, hard copy forms for the appointment of a proxy are available on request from Link Asset Services: email enquiries@linkgroup.co.uk or call +44 371 664 0300. Calls are charged at the standard geographic rate and will vary by provider. Calls from outside the United Kingdom will be charged at the applicable international rate. Lines are open 9:00 a.m. to 5:30 p.m., Monday to Friday excluding UK public holidays. To be valid, a hard copy proxy appointment form must be completed in accordance with the instructions that accompany it and then delivered (together with any power of attorney or other authority under which it is signed, or a certified copy of such item) to Link Asset Services, Proxy Department at The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU so as to be received as soon as possible and in any case so as to be received no later than 11:00 a.m. on 12 January 2021.

Under legislation relating to holding company meetings during the COVID-19 pandemic, the rights of shareholders to attend and vote at a meeting of the Company in person have been suspended for a temporary period beginning on 26 March 2020 and ending on 30 March 2021. As the General Meeting will be held during this period, Shareholders should stay at home and vote by proxy on the Resolution. In the interests of health and safety, Shareholders (and any appointed proxies (other than the chairman of the General Meeting) or corporate representatives) will not be admitted to the General Meeting.

13 Further information

The expected timetable of principal events for the matters described in this document is set out on page 2 of this document. Your attention is drawn to the further information contained in Parts II (*Risk Factors*) to VI (*Additional Information*) of this document. **Shareholders should read the whole of this document and not rely solely on information summarised in this letter.**

14 Recommendation

The Board, which has received financial advice from GSI, considers the Disposal to be in the best interests of the Shareholders as a whole. In providing advice to the Board, GSI has relied on the Board's commercial assessment of the Disposal.

The Board considers the Disposal to be in the best interests of the Shareholders as a whole and unanimously recommends Shareholders to vote in favour of the Resolution, as the Directors intend to do so in respect of their own beneficial holdings of 703,623 Shares, representing approximately 0.04 per cent. of the Company's existing issued ordinary share capital (excluding treasury shares) at the Latest Practicable Date.

Yours faithfully



Sir Ian Powell
Chairman

PART II RISK FACTORS

In addition to the other information contained in, or incorporated by reference into, this document, the following risk factors should be considered carefully prior to making any decision as to whether or not to vote for the proposed Disposal. The proposed Disposal may give rise to certain risks which, if they occur, may have a material adverse effect on the business, financial condition, results of operations and prospects of the Continuing Group. If any of the following risks were to materialise, the business, financial condition, results of operations and prospects of the Continuing Group could be materially adversely affected and the value of the Shares could decline and Shareholders could lose all or part of their investment in those Shares.

The Directors consider the following to be the material risk factors related to the Disposal, material new risk factors to the Company as a result of the Disposal, or existing material risk factors to the Company which will be affected by the Disposal. These risks do not purport to be a comprehensive list of all potential risks in relation to the Disposal and do not include additional risks relating to the Disposal that are not presently known to the Directors, or which the Directors deem immaterial in the context of the Disposal. The risks described in this Part II are based on information known at the date of this document but may not be the only risks to which the Continuing Group is or might be exposed. Additional risks and uncertainties, which are currently unknown to the Company or that the Company does not currently consider to be material, may adversely affect the business of the Continuing Group and could have material adverse effects on the business, financial condition, results of operations and future prospects of the Continuing Group.

Shareholders should read this document as a whole and not rely solely on the information set out in this Part II.

1 Risks relating to the Disposal

1.1 Conditions

Completion of each of the Sale Agreements is subject to the approval (by ordinary resolution) of the Shareholders (the “**Shareholder Condition**”).

There can be no assurance that this condition will be satisfied and, accordingly, that Completion will take place. This condition is set out in further detail in Part III (*Summary of the Transaction Agreements*) of this document. If Completion does not take place, any of the risks and uncertainties set out in paragraph 2 of this Part II may adversely affect the Group's business, results of operations and financial condition.

1.2 Break fee in the Sale Agreement relating to Capita ESS Limited and the SLP Operations

If the Company announces that the Board no longer intends to give, or intends to qualify, withdraw, suspend or amend its recommendation that Shareholders vote in favour of the Resolution, or such recommendation is qualified, withdrawn, suspended or amended and in each case either:

1.2.1 the Resolution is not approved by the Shareholders at the General Meeting (or any adjourned or postponed general meeting); or

1.2.2 the Shareholder Condition is not satisfied by the Long Stop Date,

and the Sale Agreement entered into in respect of Capita ESS Limited and the SLP Operations (including the SIMS IPR) is terminated as a result, then Capita ESS Holdings Limited must pay a break fee of the lesser of: (i) £4m; and (ii) one per cent. of the Company's market capitalisation at the date of the Sale Agreement entered into in respect of Capita ESS Limited and the SLP Operations (including the SIMS IPR) to the Purchaser.

1.3 Warranties in the Sale Agreements

The Sale Agreements contain customary warranties given by the Sellers, the Company, the SLP and CBSL (for itself and on behalf of the SLP) in favour of the Purchaser as further described in Part III (*Summary of the Transaction Agreements*) of this document. While due diligence has been undertaken and limitations of liability have been negotiated between the Sellers, the Company, the SLP and CBSL and the Purchaser, and although the Purchaser

has the benefit of the W&I Insurance Policy in respect of certain claims under the warranties given by the Sellers, the Company, the SLP and CBSL (for itself and on behalf of the SLP), the Sellers retain liability in respect of certain fundamental warranties and in the case of Capita Cyprus Holdings Limited only, in respect of certain tax-related warranties as well. Any liability to make a payment arising from a successful claim by the Purchaser under these warranties would reduce the net proceeds from the Disposal payable at Completion and could have a material adverse effect on the financial condition of the Sellers and the Continuing Group.

1.4 The Disposal may have a disruptive effect on the Disposal Group

The Sale Agreements require the Sellers to continue operating the Disposal Group in the ordinary course until Completion. As a result of the announcement of the Disposal, key persons in management and/or operating functions may choose to leave the Disposal Group prior to Completion.

The announcement of the Disposal may create uncertainty for certain employees of the Disposal Group in respect of their continued employment by the Disposal Group following Completion. To maintain the performance of the Disposal Group between signing and Completion, the Sellers may need to take additional actions to enable them to continue operating the Disposal Group in the ordinary course.

1.5 Separation of the Disposal Group

In order to facilitate the separation of the Disposal Group from the Group, CBSL has entered into a Transitional Services Agreement with Capita ESS Limited and the Purchaser, pursuant to which CBSL has agreed to provide or procure the provision of certain services relating to the Disposal Group for a period following Completion in exchange for a fee.

In addition, certain members of the Continuing Group will continue to provide services to the Disposal Group, and the Disposal Group will continue to provide services to certain members of the Continuing Group, in each case pursuant to certain commercial services agreements entered into on an arm's length basis.

There is no guarantee that these services will be provided or procured without disruption to the business of the Continuing Group and the Continuing Group could incur unexpected material additional costs and/or adverse impacts on the functioning of its business as a result of the fulfilment of its obligations under the Transitional Services Agreement or the commercial services agreements, or as a result of the failure of the Disposal Group to fulfil its obligations under the commercial services agreements, which in each case may adversely affect the Continuing Group's business, results of operations and financial condition.

1.6 The Deferred Consideration may not be received or may not be received for a significant period of time

There is a risk that Capita ESS Holdings Limited does not receive the Deferred Consideration of £45m. The payment of the entirety of the Deferred Consideration is conditional, *inter alia*, on a subsequent transaction being effected by the Purchaser receiving clearance from the UK Competition and Markets Authority (the "CMA"). Neither Capita ESS Holdings Limited nor any member of the Continuing Group is a party to that subsequent transaction and there is no guarantee that such clearance will be forthcoming. Consequently, there can be no assurance that the Deferred Consideration will be received by Capita ESS Holdings Limited.

In addition, due to the time involved in obtaining clearance from the CMA, even if such clearance is forthcoming the Deferred Consideration may not be received by Capita ESS Holdings Limited for a significant period of time.

2 Risks related to the Disposal not proceeding

2.1 Inability to realise value if Completion does not take place

The Disposal is subject to the approval (by ordinary resolution) of the Shareholders at the General Meeting. If Completion does not take place, the Group will not receive the proceeds from the Disposal and consequently the transaction costs and other costs incurred by the Group in connection with the Disposal will not be offset by such proceeds. In addition, the

market's perception of a failed Completion could result in a negative impact on the price of the Shares.

The Group intends to use the net proceeds of the Disposal payable at Completion to strengthen the Group's balance sheet, provide additional liquidity and support the Group's ongoing strategy and transformation plan. If Completion does not take place, the Group will not receive the proceeds from the Disposal. This may require the Group to revisit its financial planning, which may impact the Group's ability to meet its strategic objectives and may require the Group to pursue alternative opportunities and/or take additional actions in order to enable it to do so.

Furthermore, if Completion does not take place, the Disposal Group will remain part of the Group, which may result in a delay in the strategic objectives of the Group. In addition, the Group may incur costs and be required to allocate additional management time to unwind the steps taken by the Group in respect of the ABF Unwind.

2.2 There may be an adverse impact on the value of the Disposal Group if Completion does not take place

The Board believes that the Disposal is in the best interests of the Shareholders taken as a whole and that the Disposal currently provides the best opportunity to realise an attractive and certain value for the Disposal Group. If Completion does not take place, the realisable value of the Disposal Group may be lower than can be realised by way of the Disposal.

This could result in the value of the Disposal Group being materially different to the position it would be in if Completion had taken place. There is also no assurance that the Group would be able to dispose of the Disposal Group at a later date on the same or on improved terms to those contained in the Sale Agreements, or at all.

2.3 Potentially disruptive effect on the Group if Completion does not take place

If Completion does not take place, this may lead to management, employee, client and supplier distraction and concern due to perceived uncertainty as regards the future strategy and ownership of the Disposal Group.

This may have an adverse effect on the performance of the Disposal Group and therefore its value to the Group. To maintain value for the Shareholders, additional management time and expense may have to be allocated to the ongoing supervision, operation and development of the Disposal Group.

2.4 Potentially adverse impact on the Group's reputation if Completion does not take place

If Completion does not take place, there may be an adverse impact on the reputation of the Group as a result of media scrutiny arising in connection with the attempted Disposal. Any such reputational risks may adversely affect the Group's business, results of operations and financial condition.

3 Risks related to the Continuing Group

3.1 The Continuing Group will be more dependent on its core business

Following the Disposal, the operations of the Continuing Group will be reduced and, without the benefit of the revenues or profits of the Disposal Group, its overall financial performance will depend more on the performance of each of its continuing operations and the success of the Continuing Group's business strategy. In particular, any underperformance by any division within the Continuing Group may have a larger relative impact on the Continuing Group than would have been the case before the Disposal. Furthermore, the business of the Continuing Group will be less diversified and may be more susceptible to adverse economic changes, including as a result of the COVID-19 pandemic.

3.2 The Continuing Group's ability to obtain new financing may be reduced

Following the Disposal, the Continuing Group will no longer receive the contribution that the Disposal Group currently makes to the net operating profit, EBITDA and free cash flow of the Group. This may impact the ability of the Continuing Group to secure financing and may

increase the Continuing Group's cost of borrowing and/or make it more difficult for the Continuing Group to obtain new or replacement financing over the short-to-medium term, which could in turn adversely impact the Group's business, results of operations, financial condition and prospects.

3.3 The future strategy of the Continuing Group may be impacted

The future success of the Continuing Group will depend on the successful implementation of its business strategy following the Disposal. The implementation of this business strategy will be subject to certain risks and factors outside management's control, including changes in the markets in which the Continuing Group currently operates and in the global macroeconomic context, including as a result of COVID-19.

Furthermore, the level of investment required to implement the Continuing Group's strategy may be greater than expected and/or the Continuing Group may require additional funding or financing in order to implement such future strategy. In such circumstances, management may be obliged to re-evaluate the Continuing Group's business strategy.

3.4 Key employees

The success of the Continuing Group depends on the efforts, abilities, experience and expertise of its senior management team, and on recruiting, retaining, motivating and developing highly skilled and competent people across its divisions and at all levels of its business. There can be intense competition for personnel from other companies and organisations and there may at any time be shortages in the availability of appropriately skilled individuals at any or all levels. The reduction in size and diversification of the Continuing Group following the Disposal may make it more difficult to attract and retain talented employees, which may adversely affect the Continuing Group's business, results of operations, financial condition and reputation.

In particular, the completion of the Disposal may create uncertainty for certain employees within the Continuing Group's software division and may adversely affect the ability of the software division to attract and retain talented employees within its software division. This may in turn adversely affect the Continuing Group's ability to implement its strategy for the software division.

3.5 The Continuing Group's ability to attract and retain clients may be adversely affected

The Disposal and the reduced size of the Continuing Group may impact clients' perceptions of the Continuing Group and may adversely affect the ability of the Continuing Group to retain key contracts and to win new contracts. Furthermore, as a result of its reduced size, clients or prospective clients may seek to impose more stringent contractual terms on the Continuing Group and/or seek to modify or terminate their existing contractual relationships with the Continuing Group, which may adversely affect the Continuing Group's business, results of operations, financial condition and prospects.

PART III

SUMMARY OF THE TRANSACTION AGREEMENTS

The following is a summary of the principal terms of the Transaction Agreements relating to the Disposal. The Transaction Agreements are available for inspection as described in Part VI (*Additional Information*) of this document.

1 Sale Agreements

The Sale Agreements were entered into on 14 December 2020 between the Sellers, the SLP, the Company, CBSL and the Purchaser to give effect to the Disposal. Pursuant to the Sale Agreements, Capita ESS Holdings Limited shall sell its entire holding of the issued share capital of Capita ESS Limited to the Purchaser, the SLP shall sell the SLP Operations (including the SIMS IPR) to the Purchaser and Capita Cyprus Holdings Limited shall sell (and shall procure that its nominee, Capita Business Support Services Ireland Ltd, sells) its entire holding of the issued share capital of Capita SIMS (India) Private Limited to the Purchaser, subject to the conditions described in paragraph 1.1 of this Part III.

In the period between signing and Completion, the SIMS Pay Business and its associated intellectual property rights will be carved out of the Disposal Group and the SLP and will be transferred to the Continuing Group.

1.1 Conditions Precedent

Completion of the Sale Agreement entered into in respect of Capita ESS Limited and the SLP Operations (including the SIMS IPR) is subject to the satisfaction of the Shareholder Condition.

Completion of the Sale Agreement entered into in respect of Capita SIMS (India) Private Limited is subject only to, and is expected to occur simultaneously with, completion of the Sale Agreement entered into in respect of Capita ESS Limited and the SLP Operations.

1.2 Break fee

If the Company announces that the Board no longer intends to give, or intends to qualify, withdraw, suspend or amend its recommendation that Shareholders vote in favour of the Resolution, or such recommendation is qualified, withdrawn, suspended or amended and in each case either:

1.2.1 the Resolution is not approved by the Shareholders at the General Meeting (or any adjourned or postponed general meeting); or

1.2.2 the Shareholder Condition is not satisfied by 5:00 p.m. (UK time) on the Long Stop Date,

and the Sale Agreement entered into in respect of Capita ESS Limited and the SLP Operations is terminated as a result, then Capita ESS Holdings Limited must pay a break fee of the lesser of: (i) £4m; and (ii) one per cent. of the Company's market capitalisation at the date of the Sale Agreement entered into in respect of Capita ESS Limited and the SLP Operations to the Purchaser.

1.3 Consideration

The consideration payable pursuant to the Disposal is expected to comprise an initial amount of approximately £298.5m, payable on Completion, and the Deferred Consideration of £45m, contingent on certain future events payable to Capita ESS Holdings Limited. Of this:

- the consideration payable to the Sellers is expected to comprise an amount of approximately £151.9m, payable on Completion;
- the consideration payable to the SLP is expected to comprise an amount of approximately £146.5m payable on Completion, of which a special contribution estimated to be approximately £50.2m shall be paid by the Purchaser to the Scheme on behalf of CBSL in connection with the ABF Unwind. CBSL, as the sole limited partner of the SLP at Completion, will receive the remaining consideration

payable to the SLP by the Purchaser for the SLP Operations (including the SIMS IPR); and

- the Deferred Consideration payable to Capita ESS Holdings Limited is expected to comprise £45m.

At Completion, the Purchaser will settle any intra-group financing amounts payable by the Disposal Group to the Continuing Group (and/or settle such financing amounts against the amounts receivable by the Disposal Group from the Continuing Group, if any). In addition, the Purchaser will assume certain liabilities of the Disposal Group such as working capital and debt, valued at approximately £57m.

The net cash proceeds from the Disposal payable at Completion, after costs and expenses associated with the Disposal (including the special contribution paid to the Scheme as described above), will be approximately £271.8m.

The payment of the Deferred Consideration is conditional, *inter alia*, on a subsequent transaction being effected by the Purchaser receiving clearance from the CMA. Neither Capita ESS Holdings Limited nor any member of the Continuing Group is a party to that subsequent transaction and there is no guarantee that such clearance will be forthcoming. Consequently, there can be no assurance that the Deferred Consideration will be received by Capita ESS Holdings Limited.

1.4 Pre-Completion obligations

The Sellers have given certain customary undertakings in relation to the period between signing of the Sale Agreements and Completion, including an undertaking to procure that the Disposal Group carries on its business as a going concern in the ordinary course until Completion.

In the period between signing and Completion, the SIMS Pay Business and its associated intellectual property rights will be carved out of the Disposal Group and the SLP and will be transferred to the Continuing Group.

1.5 ABF Unwind

The SIMS IPR, which forms part of the SLP Operations, is currently held in the ABF by the SLP for the benefit of the Scheme. CBSL is the A limited partner in the SLP and the Trustee is the B and C limited partner in the SLP.

As at the date of this document, the beneficial interest in the SIMS IPR is held by the SLP and the legal title is held by Capita ESS Limited on trust for the SLP. The Trustee has certain income rights as B and C limited partner in the SLP which indirectly relate to the use of the SIMS IPR by Capita ESS Limited.

To facilitate the Disposal, in the period prior to Completion, Capita ESS Holdings Limited and the SLP have each agreed to procure the completion of the ABF Unwind. Specifically:

- 1.5.1 legal title to the SIMS IPR will be transferred by Capita ESS Limited to the SLP for nil consideration;
- 1.5.2 the Trustee will release its rights to income as B and C limited partner in the SLP and assign its B and C limited partnership rights in the SLP to CBSL pursuant to the arrangements described in paragraph 9.1.1(h) of Part VI (*Additional Information*) of this document; and
- 1.5.3 following Completion, the special contribution will be paid to the Scheme by the Purchaser on behalf of CBSL, as described in paragraph 1.3 of this Part III.

Following the ABF Unwind, Capita ESS Limited will continue to have the benefit of the SIMS IPR pursuant to an amended form of the software exploitation agreement currently existing between the SLP and Capita ESS Limited.

1.6 Non-compete

Capita has undertaken to the Purchaser that it shall not, and shall procure that no member of the Continuing Group shall, compete with the core business of the Disposal

Group as carried on at the date of the Sale Agreements in the UK, Republic of Ireland or India for a period of 36 months after Completion, subject to certain exceptions.

1.7 Warranties

The Sale Agreements contain customary warranties relating to, amongst other things, title, capacity, authority and solvency matters, together with additional business and tax warranties as are customary for a transaction of this nature. Certain fundamental warranties relating to, amongst other things, title, capacity, authority and solvency matters will be repeated by the Company, the Sellers, CBSL and the SLP at Completion.

The Purchaser has also given customary warranties in favour of (i) Capita ESS Holdings Limited under the Sale Agreement relating to Capita ESS Limited and the SLP Operations and (ii) Capita Cyprus Holdings Limited under the Sale Agreement relating to Capita SIMS (India) Private Limited.

1.8 Limitations on liabilities

The maximum aggregate liability of the Company, Capita ESS Holdings Limited, the SLP and CBSL for all claims relating to a breach of the warranties (excluding certain fundamental warranties) and tax claims under the Sale Agreement relating to Capita ESS Limited and the SLP Operations shall not exceed £1.

The maximum aggregate liability of Capita Cyprus Holdings Limited for all claims relating to a breach of the business warranties (excluding tax warranties and certain fundamental warranties) under the Sale Agreement relating to Capita SIMS (India) Private Limited shall not exceed £1.

The maximum aggregate liability of Capita Cyprus Holdings Limited for all claims relating to a breach of the tax warranties shall not exceed £150,000.

The maximum aggregate liability of the Company, Capita ESS Holdings Limited, the SLP and CBSL (which has provided certain warranties for itself and on behalf of the SLP) for all claims (including tax claims and claims relating to a breach of the fundamental warranties) under the Sale Agreement relating to Capita ESS Limited and the SLP Operations shall not exceed the aggregate consideration payable by the Purchaser under such Sale Agreement.

The maximum aggregate liability of Capita Cyprus Holdings Limited and CBSL for all claims (including tax claims and claims relating to a breach of the fundamental warranties, but excluding the claims relating to tax indemnities noted below) under the Sale Agreement relating to Capita SIMS (India) Private Limited shall not exceed £1.5m.

No claims may be brought by the Purchaser unless notice is received in accordance with the relevant Sale Agreement: (a) in respect of warranty claims (other than tax warranty claims), within 24 months of the date of Completion; (b) in respect of tax claims, within seven years of the date of Completion; or (c) in the case of any other claim, within 18 months of the date of Completion, save to the extent that the relevant provision requires the party(ies) to continue to comply with its relevant obligations following Completion, in which case, 18 months following the date on which such obligations cease.

The Purchaser has the benefit of the W&I Insurance Policy which provides, conditional on Completion, insurance cover in respect of certain claims under the warranties given by the Sellers, the SLP and CBSL under each Sale Agreement (including in respect of any tax claims under the Sale Agreement relating to Capita ESS Limited and the SLP Operations).

1.9 Guarantee

CBSL has agreed to guarantee: (a) the performance of Capita ESS Holdings Limited's obligations under the Sale Agreement entered into in respect of Capita ESS Limited and the SLP Operations; and (b) certain tax liabilities of Capita Cyprus Holdings Limited under the Sale Agreement entered into in respect of Capita SIMS (India) Private Limited.

1.10 Governing law and jurisdiction

The Sale Agreements are both governed by the laws of England and Wales. The courts of England and Wales will have exclusive jurisdiction to settle any disputes which may arise out of or in connection with either such Sale Agreement.

2 Tax Indemnities

Capita ESS Holdings Limited has agreed to pay the Purchaser the amount of (in summary) any tax liabilities arising to Capita ESS Limited that: (i) are attributable to the period up to and including completion of the proposed disposal of Capita ESS Limited under the relevant Sale Agreement; or (ii) that arise as a result of the ABF Unwind, in each case subject to exclusions customary for a transaction of this nature. The Tax Indemnity also includes other customary provisions relating to, amongst other things, notification of claims, management of tax affairs, withholdings and gross-ups and VAT. The liability of Capita ESS Holdings Limited under this tax indemnity is limited to £1.

Capita Cyprus Holdings Limited has agreed to pay the amount of any losses (in summary) suffered by the Purchaser as a result of any action taken by Indian tax authorities in respect of: (a) any capital gains tax payable by Capita Cyprus Holdings Limited under Indian tax laws; and (b) any tax liability suffered by the Purchaser by virtue of the failure of the Continuing Group to pay any taxes due. The liability of Capita Cyprus Holdings Limited under the tax indemnity under (a) is limited to £1.5m.

3 Transitional Services Agreement

3.1 Scope

The Transitional Services Agreement (the “**TSA**”) was entered into on 14 December 2020 between CBSL, Capita ESS Limited and the Purchaser to govern the separation and transition of the Disposal Group from the Continuing Group.

Pursuant to the TSA, CBSL will provide certain IT, HR, finance, logistics and property services (the “**TSA Services**”) to Capita ESS Limited and Capita SIMS (India) Private Limited on the terms of the TSA, and the parties will co-operate to achieve separation of the Disposal Group from the Continuing Group and migration of the Disposal Group from the TSA Services.

3.2 Charges for the services

The TSA Services will either be charged at a cost set out in the TSA or at the cost incurred in providing the relevant TSA Service.

3.3 Third party consents

CBSL and Capita ESS Limited will share the costs of obtaining any third party consents (other than certain existing third party consents) required for the provision of TSA Services during the initial term (except in relation to certain software licences, and the ‘Axiom’ financial forecasting service, for which Capita ESS Limited will bear all costs).

However, if third party consents need to be updated or amended as a result of an extension to the term of a TSA Service, a change in control of Capita ESS Limited after Completion, or an assignment by Capita ESS Limited of its rights under the TSA, and further costs are incurred in relation to those updates or amendments, those further costs will be entirely paid by Capita ESS Limited up to an amount of £250,000, and thereafter shared equally between Capita ESS Limited and CBSL.

Any costs to be paid by Capita ESS Limited in relation to third party consents must be paid after Completion.

3.4 Limitations on liabilities

CBSL’s aggregate liability in respect of claims under the TSA will be restricted to the following proportion of the total service charges under the TSA: (i) 200 per cent. in relation to liability in connection with certain critical services and breach of data protection and confidentiality obligations; and (ii) 100 per cent. for all other liabilities.

These liability limits will include service charges payable during the extension periods only if an extension period has commenced at the point the claim arises.

CBSL's liability in respect of its obligation to provide copies of or access to data that relates to the business of the Disposal Group (and which is in the possession of the Continuing Group), is subject to a separate limit of £2m. There are several exceptions to the obligation to provide the data, including where the data is no longer in the possession or control of the Continuing Group, and where Capita ESS Limited has a separate right to copies of or access to such data under other agreements (including the Transaction Agreements).

3.5 Term and termination

Provision of the TSA Services will commence from Completion. Separate service terms will apply in respect of each TSA Service, ranging from one month to 12 months. Capita ESS Limited may extend the term of certain TSA Services on one occasion for up to a maximum period ranging from three months to 15 months, depending on the relevant TSA Service. The TSA will expire automatically without notice on the day on which the last of the service terms expires.

Capita ESS Limited may terminate any TSA Service for convenience on no less than one month's written notice to CBSL (and provided that Capita ESS Limited pays certain early termination costs to CBSL). Both Capita ESS Limited and CBSL may terminate the TSA immediately on written notice in the event of an insolvency event or material breach occurring under the TSA.

CBSL may terminate the TSA where the undisputed amount of service charges which remain unpaid after the due date for payment exceeds £30,000, and where at least a further 30 days' notice has been given by CBSL to Capita ESS Limited requiring such payment (and provided the failure to pay is not caused by CBSL's failure to process a payment as part of a TSA Service).

3.6 Governing law and jurisdiction

The TSA will be governed by English law. Any disputes arising under or in connection with the TSA are to be settled informally through discussion between the parties provided that, if no agreement has been reached within the specified period, the dispute resolution process shall be deemed to have been exhausted and the courts of England shall have exclusive jurisdiction to settle any such dispute without further reference to this dispute resolution process.

PART IV

FINANCIAL INFORMATION ON THE DISPOSAL GROUP

The following historical financial information relating to the Disposal Group has been extracted without material adjustment from the consolidation schedules that underlie the Company's audited consolidated financial statements for the three years ended 31 December 2019 subject to the notes referred to within the tables.

The financial information as at and for the six-month period ended 30 June 2020 has been extracted without material adjustment from the consolidation schedules that underlie the Company's consolidated financial statements as at and for the six months ended 30 June 2020.

The financial information contained in this Part IV does not constitute statutory accounts within the meaning of section 434 of the Companies Act 2006 and has not been audited.

The independent auditor's reports of the Company for the years ended 31 December 2018 and 2019 were: (i) unqualified; (ii) did not include a reference of any matters to which the auditor drew attention by way of emphasis without qualifying their report; and (iii) did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

The independent auditor's report of the Company for the year ended 31 December 2017 was: (i) unqualified; (ii) contained a material uncertainty in respect of going concern to which the auditor drew attention by way of emphasis without modifying their report; and (iii) did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

Shareholders should read the whole of this document and not rely solely on the summarised financial information in this Part IV.

(A) Income statement

	Six months ended 30 June 2020 ⁽¹⁾	Year ended 31 December 2019 ⁽¹⁾	Year ended 31 December 2018	Year ended 31 December 2017
			£m	
Revenue	46.9	95.0	101.6	100.9
Cost of sales	(13.9)	(24.6)	(25.3)	(21.8)
Gross profit	33.0	70.4	76.3	79.1
Administrative expenses	(7.3)	(17.6)	(21.4)	(23.0)
Operating profit	25.7	52.8	54.9	56.1
Net finance costs	(0.4)	(0.1)	(0.0)	(0.0)
(Loss)/profit before tax	25.3	52.7	54.9	56.1
Income tax credit/(charge) ⁽²⁾	(4.8)	(10.0)	(10.4)	(10.7)
(Loss)/profit for the year	20.5	42.7	44.5	45.4

Notes:

- (1) Figures presented for the six months ended 30 June 2020 and the year ended 31 December 2019 reflect the adoption of IFRS 16 Leases. The Disposal Group initially applied IFRS 16 Leases at 1 January 2019, using the modified retrospective approach. Under this approach, the comparative information is not restated and the cumulative effect of initially applying IFRS 16 Leases is recognised in retained earnings at the date of initial application.
- (2) The tax charge for all periods is derived by applying the UK statutory corporation tax rate (19 per cent. for all tax years since 1 April 2017) to the profit before tax of the Disposal Group for the relevant period.
- (3) The income statement above excludes costs that will not be associated with the Disposal Group going forward, for example, costs of properties that are not transferring as part of the Disposal.

(B) Balance sheet

	<u>As at 30 June 2020</u>	<u>At 31 December 2019</u>
		£m
Assets		
Non-current assets		
Property, plant and equipment	0.3	0.4
Intangible assets	42.7	41.8
Goodwill	45.3	45.3
Right-of-use assets	0.3	0.4
Contract fulfilment assets	2.9	3.2
Current assets		
Trade and other receivables	7.2	5.1
Total Assets	98.7	96.2
Liabilities		
Current liabilities		
Trade and other payables	(5.3)	(3.8)
Deferred income	(59.3)	(36.9)
Lease liabilities	(0.2)	(0.2)
Provisions	—	(0.2)
Income tax payable ⁽¹⁾	(4.8)	(10.0)
	(69.6)	(51.1)
Non-current liabilities		
Deferred income	(6.4)	(8.3)
Lease liabilities	—	(0.1)
Deferred taxation	(0.1)	(0.2)
	(6.5)	(8.6)
Total Liabilities	(76.1)	(59.7)
Net Assets/(Liabilities)	22.6	36.5

Notes:

- (1) Income tax payable at each period end relates to the corporation tax due for the period, equal to the corporation tax charge accrued in the income statement for the relevant period, as set out in the income statement in section (A) of this Part IV.
- (2) The balance sheet does not include intercompany receivable or payable balances as such amounts are recorded for CBSL, the entity from which the historical financial information has been extracted.

PART V
UNAUDITED PRO FORMA STATEMENT OF NET ASSETS

The unaudited pro forma statement of net assets set out below has been prepared to illustrate the impact of the Disposal on the net assets of the Group as if the Disposal had taken place on 30 June 2020. The unaudited pro forma statement of net assets has been prepared on the basis of, and should be read in conjunction with, the notes set out below.

The unaudited pro forma statement of net assets of the Group is based on the consolidated net assets of the Group as at 30 June 2020 and has been prepared on the basis that Disposal was effective as of 30 June 2020 and in a manner consistent with the accounting policies adopted in the Company's financial statements for the six months ended 30 June 2020.

The unaudited pro forma statement of net assets has been prepared for illustrative purposes only and by its nature addresses a hypothetical situation and does not, therefore, represent the Group's actual financial position or results, nor is it indicative of the results that may, or may not, be expected to be achieved in the future. The pro forma statement of net assets has been prepared for illustrative purposes only in accordance with Annex 20 of Commission Delegated Regulation (EU 2019/980).

The unaudited pro forma statement of net assets does not constitute financial statements within the meaning of section 434 of the Companies Act.

The unaudited pro forma financial information does not take into account trading of the Group subsequent to the period end balance sheet of 30 June 2020.

Shareholders should read the whole of this document and not rely solely on the summarised financial information in this Part V.

KPMG's report on the unaudited pro forma statement of net assets is set out in section (B) of this Part V.

(A) Unaudited Pro Forma Statement of Net Assets of the Continuing Group as at 30 June 2020

	As at 30 June 2020 Note 1	Note 2	Note 3	Note 4	Note 5	Pro forma Note 6
	£m					
Assets						
Non-current assets						
Property, plant and equipment	182.2	(0.3)	—	—	—	181.9
Intangible assets	339.8	(42.7)	—	—	—	297.1
Goodwill	1,174.4	(45.3)	—	—	—	1,129.1
Right-of-use assets	452.6	(0.3)	—	—	—	452.3
Investment in associates and joint ventures	5.4	—	—	—	—	5.4
Contract fulfilment assets	288.3	(2.9)	—	—	—	285.4
Financial assets	119.2	—	—	—	—	119.2
Deferred taxation	223.7	—	—	(0.1)	(27.8)	195.8
Trade and other receivables	22.3	—	—	—	—	22.3
	2,807.9	(91.5)	—	(0.1)	(27.8)	2,688.5
Current assets						
Financial assets	11.3	—	—	—	—	11.3
Disposal group assets held for sale	17.2	—	—	—	—	17.2
Trade and other receivables	649.5	(7.2)	—	—	—	642.3
Cash	756.2	—	216.4	—	—	972.6
Income tax receivable	6.1	4.8	—	(4.8)	—	6.1
	1,440.3	(2.4)	216.4	(4.8)	—	1,649.5
Total Assets	4,248.2	(93.9)	216.4	(4.9)	(27.8)	4,338.0
Liabilities						
Current liabilities						
Trade and other payables	719.1	(5.3)	—	—	—	713.8
Deferred income	932.9	(59.3)	—	—	—	873.6
Overdrafts	396.6	—	—	—	—	396.6
Lease liabilities	78.9	(0.2)	—	—	—	78.7
Disposal group liabilities held for sale	6.6	—	—	—	—	6.6
Financial liabilities	159.9	—	—	—	—	159.9
Provisions	87.6	—	—	—	—	87.6
	2,381.6	(64.8)	—	—	—	2,316.8
Non-current liabilities						
Trade and other payables	5.3	—	—	—	—	5.3
Deferred income	176.8	(6.4)	—	—	—	170.4
Lease liabilities	449.8	—	—	—	—	449.8
Financial liabilities	1,009.8	—	—	—	—	1,009.8
Deferred taxation	7.7	(0.1)	—	0.1	—	7.7
Provisions	4.9	—	—	—	—	4.9
Employee benefits	299.4	—	(55.4)	—	—	244.0
	1,953.7	(6.5)	(55.4)	0.1	—	1,891.9
Total Liabilities	4,335.3	(71.3)	(55.4)	0.1	—	4,208.7
Net Assets/ (Liabilities)	(87.1)	(22.6)	271.8	(5.0)	(27.8)	129.3

Notes:

- (1) The information in this column has been extracted without adjustment from the Company's condensed consolidated financial statements for the six months ended 30 June 2020, which have been incorporated by reference as described in Part VII (*Documentation Incorporated by Reference*) of this document.
- (2) This adjustment removes the net assets of the Disposal Group as at 30 June 2020 and has been extracted without material adjustment from Part IV (*Financial Information on the Disposal Group*) of this document.
- (3) Reflects the Disposal proceeds receivable by the Sellers and the SLP at Completion of £298.5 million less transaction costs of £26.7 million and the contribution of £55.4 million made to the Scheme to facilitate the ABF Unwind as if the ABF Unwind had taken place on 30 June 2020. The Disposal and associated ABF Unwind is expected to occur by February 2021, consequently the value of the contribution expected to be made in respect of the ABF Unwind by February 2021 will differ to that presented above and is estimated to be approximately £50.2 million. No adjustment has been made for the Deferred Consideration of £45m that is payable by the Purchaser in connection with the Disposal as it is contingent on certain future events and as such does not meet the conditions for recognition on Completion.

- (4) Reflects an adjustment to remove the income tax liability as presented in Part IV (*Financial Information on the Disposal Group*) and adjusted for in Note 2 above, as such a charge would only arise had the Disposal Group operated on a standalone basis.
- (5) Reflects the expected release of deferred tax asset positions against taxable gains arising on the Disposal. The above pro forma is prepared on the basis that the Disposal had completed on 30 June 2020. If Completion occurs by February 2021 as expected, an estimated additional tax charge of £3.6 million is expected to arise.
- (6) The pro forma net assets and liabilities statement has been prepared in a manner consistent with the accounting policies adopted in the Company's financial statements for the six months ended 30 June 2020.

(B) Accountants' Report on the Unaudited Pro Forma Statement of Net Assets of the Continuing Group as at 30 June 2020



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The Directors
Capita plc
65 Gresham Street
London
EC2V 7NQ

16 December 2020

Ladies and Gentlemen

Capita plc

We report on the pro forma financial information (the 'Pro forma financial information') set out in Part V of the Class 1 circular dated 16 December 2020, which has been prepared on the basis described in the notes, for illustrative purposes only, to provide information about how the Class 1 disposal of the Education Software Solutions business might have affected the financial information presented on the basis of the accounting policies adopted by Capita plc in preparing the financial statements for the period ended 30 June 2020. This report is required by paragraph 13.3.3R of the Listing Rules of the Financial Conduct Authority and is given for the purpose of complying with that paragraph and for no other purpose.

Responsibilities

It is the responsibility of the directors of Capita plc to prepare the Pro forma financial information in accordance with paragraph 13.3.3R of the Listing Rules of the Financial Conduct Authority.

It is our responsibility to form an opinion, as required by Section 3 of Annex 20 of Commission Delegated Regulation (EU) 2019/980, as to the proper compilation of the Pro forma financial information and to report that opinion to you.

In providing this opinion we are not updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the Pro forma financial information, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

Save for any responsibility which we may have to those persons to whom this report is expressly addressed and which we may have to shareholders as a result of the inclusion of this report in the Class 1 circular, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Listing Rule 13.4.1R(6), consenting to its inclusion in the Class 1 circular.

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KPMG LLP
Capita plc
16 December 2020

Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Pro forma financial information with the directors of Capita plc.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the Pro forma financial information has been properly compiled on the basis stated and that such basis is consistent with the accounting policies of Capita plc.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in the United States of America and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Opinion

In our opinion:

- the Pro forma financial information has been properly compiled on the basis stated; and
- such basis is consistent with the accounting policies of Capita plc.

Yours faithfully

KPMG LLP

PART VI ADDITIONAL INFORMATION

1 Responsibility

The Company and the Directors, whose names are set out in paragraph 3 of this Part VI, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Company and the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

2 Company

The Company was incorporated and registered in England and Wales on 8 December 1986, as a private company limited by shares under the Companies Act 1985 and with registered number 02081330. The Company was re-registered on 11 April 1989, as a public company limited by shares. The Company's shares were admitted to trading on the main market of the London Stock Exchange in 1991 under the symbol "CPI".

Its legal entity identifier is CMIGEWPLHL4M7ZV0IZ88.

The registered office of the Company is 65 Gresham Street, London EC2V 7NQ, United Kingdom and its telephone number is 020 7799 1525.

The Company's website is www.capita.com. The information on the website does not form part of this document unless that information is incorporated by reference into this document.

3 Directors

The Directors and their principal functions are as follows:

- Sir Ian Powell—Chairman
- Jonathan Lewis—Chief Executive Officer
- Gordon Boyd—Interim Chief Financial Officer
- Gillian Sheldon—Senior Independent Director
- Matthew Lester—Independent Non-Executive Director
- Georgina Harvey—Independent Non-Executive Director
- John Cresswell—Independent Non-Executive Director
- Baroness Lucy Neville-Rolfe—Independent Non-Executive Director
- Andrew Williams—Independent Non-Executive Director
- Lyndsay Browne—Employee Non-Executive Director
- Joseph Murphy—Employee Non-Executive Director

4 Directors' and senior managers' shareholdings and share interests

4.1 Shares

As at 11 December 2020 (the "Latest Practicable Date"), the interests of the Directors and senior managers in the share capital of the Company were as follows:

<u>Director</u>	<u>Number of Beneficially Held Shares</u>
Sir Ian Powell	30,000
Jonathan Lewis	458,624
Gordon Boyd	0
Gillian Sheldon	12,500
Matthew Lester	49,186
Georgina Harvey	6,000
John Cresswell	20,500
Baroness Lucy Neville-Rolfe	13,842
Andrew Williams	100,000
Lyndsay Browne	6,416
Joseph Murphy	6,555

<u>Senior manager</u>	<u>Number of Beneficially Held Shares</u>
Ismail Amla	166,410
Chris Baker	51,157
Patrick Butcher ⁽¹⁾	174,629
Claire Chapman	35,019
Aimie Chapple	72,181
Mark Cook	0
Garry Dryburgh	145,874
Chantal Free	0
Rupert Green	113,487
Katja Hall	6,890
Will Serle	21,124
Andy Start	70,570
Jim Vincent	68,907

These interests include Shares held beneficially under the Capita Share Ownership Plan.

Note:

(1) Patrick Butcher resigned as a director on 16 November 2020 but will remain employed by the Company until 31 March 2021.

4.2 Share interests

As at 11 December 2020 (the Latest Practicable Date), the following options and awards to acquire Shares had been granted and remained outstanding under the DAB and LTIP:

<u>Director</u>	<u>Date of grant</u>	<u>Plan</u>	<u>Number of Shares over which option/award granted</u>	<u>Exercise price</u>	<u>Vesting period</u>	<u>Exercise period from vesting</u>
Sir Ian Powell	—	—	—			
Jonathan Lewis ⁽¹⁾	24 April 2018	LTIP	1,202,986	Nil	3 years	12 months
	25 May 2018	LTIP	769,790	Nil	3 years	12 months
	21 March 2019	LTIP	1,782,786		3 years	12 months
	16 April 2020	LTIP	1,770,000	Nil	3 years	12 months
	21 March 2019	DAB	516,029		3 years	12 months
Gordon Boyd	—	—	—			
Gillian Sheldon	—	—	—			
Matthew Lester	—	—	—			
Georgina Harvey	—	—	—			
John Cresswell	—	—	—			
Baroness Lucy Neville-Rolfe	—	—	—			
Andrew Williams	—	—	—			
Lyndsay Browne	—	—	—			
Joseph Murphy	—	—	—			

<u>Senior manager</u>	<u>Date of grant</u>	<u>Plan</u>	<u>Number of Shares over which option/award granted</u>	<u>Exercise price</u>	<u>Vesting period</u>	<u>Exercise period from vesting</u>
Ismail Amla	4 December 2018	LTIP	911,162	Nil	3 years	12 months
	21 March 2019	LTIP	655,737	Nil	3 years	12 months
	16 April 2020	LTIP ⁽²⁾	715,779	Nil	3 years	12 months
Chris Baker	24 April 2018	LTIP	346,666	Nil	3 years	12 months
	25 May 2018	LTIP	221,831	Nil	3 years	12 months
	21 March 2019	LTIP	426,229	Nil	3 years	12 months
	16 April 2020	LTIP ⁽²⁾	501,045	Nil	3 years	12 months
Patrick Butcher ⁽³⁾	11 December 2018	LTIP (buyout)	187,167		3 years	12 months
	21 March 2019	LTIP	704,918	Nil	3 years	12 months
	16 April 2020	LTIP	700,000	Nil	3 years	12 months
Claire Chapman	2 August 2018	LTIP	439,040	Nil	3 years	12 months
	21 March 2019	LTIP	532,786	Nil	3 years	12 months
	16 April 2020	LTIP ⁽²⁾	581,570	Nil	3 years	12 months
Aimie Chapple	16 April 2020	LTIP ⁽²⁾	477,559	Nil	3 years	12 months
Mark Cook	16 April 2020	LTIP ⁽²⁾	501,045	Nil	3 years	12 months
Garry Dryburgh	24 April 2018	LTIP	506,666	Nil	3 years	12 months
	25 May 2018	LTIP	324,215	Nil	3 years	12 months
	21 March 2019	LTIP	622,950	Nil	3 years	12 months
	16 April 2020	LTIP ⁽²⁾	679,990	Nil	3 years	12 months
Chantal Free	14 October 2019	LTIP	226,708	Nil	3 years	12 months
	16 April 2020	LTIP ⁽²⁾	326,574	Nil	3 years	12 months
Rupert Green	24 April 2018	LTIP	433,333	Nil	3 years	12 months
	25 May 2018	LTIP	277,289	Nil	3 years	12 months
	21 March 2019	LTIP	532,786	Nil	3 years	12 months
	16 April 2020	LTIP ⁽²⁾	581,570	Nil	3 years	12 months
Katja Hall	21 March 2019	LTIP	225,409	Nil	3 years	12 months
	16 April 2020	LTIP ⁽²⁾	369,073	Nil	3 years	12 months

<u>Senior manager</u>	<u>Date of grant</u>	<u>Plan</u>	<u>Number of Shares over which option/award granted</u>	<u>Exercise price</u>	<u>Vesting period</u>	<u>Exercise period from vesting</u>
Will Serle	24 April 2018	LTIP	466,666	Nil	3 years	12 months
	25 May 2018	LTIP	298,619	Nil	3 years	12 months
	21 March 2019	LTIP	573,770	Nil	3 years	12 months
	16 April 2020	LTIP ⁽²⁾	626,306	Nil	3 years	12 months
Andy Start	14 August 2019	LTIP	403,846	Nil	3 years	12 months
	16 April 2020	LTIP ⁽²⁾	469,730	Nil	3 years	12 months
Jim Vincent	24 April 2018	LTIP	333,333	Nil	3 years	12 months
	25 May 2018	LTIP	213,299	Nil	3 years	12 months
	21 March 2019	LTIP	409,836	Nil	3 years	12 months

Notes:

- (1) Awards are subject to a further holding period of two years after the vesting date.
- (2) LTIP awards granted to senior managers in 2020 vest annually, in equal tranches, over the three-year period. The exercise period applies to each tranche from that tranche's vesting date.
- (3) Patrick Butcher resigned as a director on 16 November 2020 but will remain employed by the Company until 31 March 2021. His outstanding LTIP awards are expected to lapse on 31 March 2021 in accordance with the scheme rules.

5 Directors' service contracts and letters of appointment

Save for the service contracts described below, there are no existing or proposed service contracts between any Director or proposed director of the Company and the Company and its subsidiary undertakings.

Executive Directors

The Company has entered into service agreements with each of the following Executive Directors, the particulars of which as at 11 December 2020 (the Latest Practicable Date) are:

<u>Name</u>	<u>Date of Appointment</u>	<u>Notice Period</u>
Jonathan Lewis	1 December 2017	12 months
Gordon Boyd	16 November 2020	90 days, subject to an initial fixed term of six months

Jonathan Lewis

Jonathan is employed as Chief Executive Officer under a service agreement with the Company which took effect on 1 December 2017. He is entitled to a base salary of £725,000 per annum, fixed for three years. Jonathan's salary will be reviewed in the last quarter of 2020 and may, at the Company's sole discretion, be increased with effect from 1 January 2021. As part of the measures taken by the Company following the outbreak of COVID-19, Jonathan volunteered to take a temporary 25 per cent. reduction to his salary for six months, effective from 1 April 2020.

Jonathan is also entitled to an annual taxable cash payment in lieu of his pension allowance equal to five per cent. of the base salary. He is also entitled to receive a car allowance, a contribution towards the cost of an annual health assessment and benefits in kind, principally private health insurance, travel benefits, life insurance and access to other insurance schemes operated by the Company for himself, his spouse and his children. In addition, he is entitled to company sick pay and to participate in the Company's all-employee share plans. Jonathan is entitled to 27 days' paid holiday (in addition to public and statutory holidays in England and Wales). The Company will reimburse Jonathan for reasonable expenses properly incurred by him in performing his duties.

Jonathan's service contract is terminable by either party giving 12 months' written notice. Alternatively, the Company may terminate the employment by making a payment in lieu of notice of a sum equal to base salary and the value of contractual benefits and allowances (including pension allowance, but excluding bonus) in respect of any unexpired period of notice. The Company may pay such payment in lieu of notice in equal monthly instalments. He will be under an obligation to seek alternative income during his notice period and must notify the Company of

any income so received. Any outstanding monthly instalment(s) shall be reduced by the amount of any such alternative income. He is subject to standard business protection provisions, including intellectual property and confidentiality undertakings, garden leave and post-termination restrictive covenants.

Jonathan is eligible to participate in the annual performance related bonus plan with a maximum bonus opportunity of 200 per cent. of salary earned during the year, half of which will be paid in cash and half in shares deferred for three years. In addition, he is eligible to participate in the LTIP plan with a maximum annual LTIP award over shares worth 300 per cent. of salary earned during the year. Subject to the Company's directors' remuneration policy, he may also be considered for an award under other incentive plans operated by the Company from time to time. In 2020, as part of the measures taken due to COVID-19, the annual performance related bonus plan has been withdrawn and LTIP awards have been made at a reduced level.

In the event the Company is subject to a takeover prior to 1 December 2020, and the Company terminates (or serves notice to terminate) Jonathan's employment within six months of such takeover taking effect, the Company shall not be entitled to make a payment in lieu of notice in monthly instalments. Instead, the Company shall be required to make a lump sum payment of salary and benefits (excluding bonus) for any outstanding period of notice within 10 working days of the date the employment terminates, and Jonathan shall not be under an obligation to seek alternative income.

Gordon Boyd

Gordon is employed as Interim Chief Financial Officer under a service agreement with the Company which took effect on 16 November 2020. He joined the Board on 16 November 2020. He is entitled to a base salary of £100,000 paid monthly, which is subject to review from time to time.

Gordon's service agreement is for an initial fixed term of six months. Either party may terminate the employment during this initial term by giving written notice to the other of not less than the balance of the period from the notice date to the date of expiry of the initial term. Thereafter, the employment may be terminated by either party giving 90 days' written notice. Alternatively, the Company may terminate Gordon's employment by making a payment in lieu of notice of a sum equal to base salary in respect of any unexpired period of notice. The Company may pay such payment in lieu of notice in equal monthly instalments. Gordon's service agreement contains business protection provisions, including intellectual property, confidentiality undertakings and garden leave.

Gordon is not entitled to participate in the Company's pension scheme or insured benefit plans and is only entitled to receive statutory sick pay. Gordon is entitled to 27 days' paid holiday (in addition to public and statutory holidays in England and Wales). The Company will reimburse Gordon for reasonable expenses properly incurred by him in performing his duties.

Non-Executive Directors

The following Directors are appointed as Non-Executive Directors of the Company under letters of appointment, the particulars of which as at 11 December 2020 (the Latest Practicable Date) are:

<u>Name</u>	<u>Date of Appointment</u>	<u>Expiry Date of Current Appointment</u>
Sir Ian Powell	1 September 2016	31 December 2022
Gillian Sheldon	1 September 2012	28 February 2021
Matthew Lester	1 March 2017	28 February 2023
Georgina Harvey	1 October 2019	30 September 2022
John Cresswell	17 November 2015	16 November 2021
Andrew Williams	1 January 2015	Date of 2021 AGM
Baroness Lucy Neville-Rolfe	6 December 2017	5 December 2023
Lyndsay Browne	1 July 2019	30 June 2022
Joseph Murphy	1 July 2019	30 June 2022

The appointment of each of the Non-Executive Directors is for an initial period of three years, after which time their appointments may be renewed. The Non-Executive Directors are subject to annual re-election by the Company at its annual general meeting.

Sir Ian Powell, who was appointed as Chairman with effect from 1 January 2017 and continues to be appointed as Chairman of the Nomination Committee, is entitled to an annual fee of £325,000.

The Senior Independent Director is entitled to an annual fee of £75,000. The remaining Non-Executive Directors, including the Employee Non-Executive Directors, are entitled to an annual fee of £64,500. The Chairpersons of the Audit and Risk Committee and Remuneration Committee are entitled to an additional fee of £10,500 per annum.

Along with the Executive Directors, following the outbreak of COVID-19, the Non-Executive Directors each volunteered to take a temporary 25 per cent. reduction to their fees for six months, effective from 1 April 2020.

The Company will reimburse each Non-Executive Director for reasonable expenses properly incurred by them in performing their duties and has customary directors' and officers' insurance in place in respect of each Non-Executive Director. The Non-Executive Directors are each subject to confidentiality undertakings.

The appointment of the Non-Executive Directors may be terminated by them or by the Company at any time upon one month's written notice. Their appointment may also be terminated in accordance with the provisions of the articles of association of the Company. The Non-Executive Directors are not entitled to receive any compensation on termination of their appointments (save for notice, where due).

In addition, the appointments of the Employee Non-Executive Directors will terminate automatically and without payment in lieu of notice if they cease to be employed by a member of the Group for any reason. The Company may also require them to resign from their directorships if they are placed on garden leave in respect of their employment.

6 Key individuals

The following individuals are deemed to be key individuals to the Disposal Group:

<u>Name</u>	<u>Position</u>
Andy Bennett	Managing Director
Rajul Modi	Finance Director
Simon Walters	Director of Services
Robin Lipscomb	Director of Development
Bob Yorke	Sales Director
Susi Mackeown	Product Director

Each of Andy Bennett, Rajul Modi, Simon Walters, Robin Lipscomb, Bob Yorke and Susi Mackeown will be joining the Purchaser's Group on Completion.

7 Major Shareholders

As at 11 December 2020 (the Latest Practicable Date), the Company had been notified of the following holdings in the Company's issued ordinary share capital (exclusive of treasury shares) pursuant to DTR 5 (each, a "Notifiable Interest"):

<u>Shareholder</u>	<u>Number of shares direct</u>	<u>Number of shares indirect</u>	<u>Number of shares (total)</u>	<u>Number of voting rights</u>	<u>Percentage of voting rights</u>
RWC Asset Management LLP	—	300,200,371	300,200,371	300,200,371	17.99
Schroders plc	—	251,845,151	251,845,151	251,845,151	15.09
Marathon Asset Management LLP	—	86,576,890	86,576,890	86,576,890	5.19
River and Mercantile Asset Management LLP	85,996,707	—	85,996,707	85,996,707	5.15
Veritas Asset Management LLP ⁽¹⁾	—	83,131,892	83,131,892	83,131,892	4.98
Ninety One UK Limited	—	76,779,117	76,779,117	76,779,117	4.60
BlackRock, Inc.	—	74,230,358	74,230,358	74,230,358	4.45
Invesco Ltd	—	70,883,236	70,883,236	70,883,236	4.24
Veritas Funds PLC ⁽²⁾	—	55,009,900	55,009,900	55,009,900	3.30
Vanguard Group, Inc.	54,711,874	—	54,711,874	54,711,874	3.28
Jupiter Asset Management Limited	—	53,573,060	53,573,060	53,573,060	3.21

(1) Includes the holding of Veritas Funds PLC.

(2) Holding of Veritas Funds PLC is included in the holding of Veritas Asset Management LLP.

Save as set out above, the Company is not aware of any other Notifiable Interests.

8 Related party transactions

Details of related party transactions (which for these purposes are those set out in the standards adopted according to Regulation (EC) No 1606/2002) that the Company has entered into are set out below:

- for the financial year ended 31 December 2017, those transactions disclosed in note 35 on page 160 of the Company's 2017 Annual Report and Accounts;
- for the financial year ended 31 December 2018, those transactions disclosed in note 33 on page 164 of the Company's 2018 Annual Report and Accounts;
- for the financial year ended 31 December 2019, those transactions disclosed in note 6.1 on page 170 of the Company's 2019 Annual Report and Accounts; and
- for the six months ended 30 June 2020, those transactions disclosed in note 17 on page 44 of the Company's Half Year Results 2020.

The details of related party transactions in paragraphs (a), (b), (c) and (d) above are incorporated by reference into this document.

Other than as publicly announced, the Company has not entered into any transactions with related parties during the period from 30 June 2020 to 11 December 2020 (the Latest Practicable Date).

9 Material contracts

9.1 The Continuing Group

- The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by members of the Continuing Group: (i) within the two years immediately preceding the date of this document which are or may be, material; or (ii) which contain any provision under which any member of the

Continuing Group has any obligation or entitlement which is material, in each case, to the Continuing Group as at the date of this document:

(a) **Disposal of Eclipse (Hardware) Limited**

On 19 June 2020, Capita Justice & Secure Services Holdings Limited (“**Capita Justice**”), a wholly owned subsidiary of the Company, entered into a share purchase agreement with Access UK Ltd (“**Access**”), to sell Capita Justice’s holding of the entire issued share capital of Eclipse (Hardware) Limited (“**EHL**”) to Access. EHL provides case, matter and practice management software to the legal market.

The transaction was not subject to any conditions and completed on 30 June 2020. The total agreed consideration reflected an enterprise value of £56.5m on a cash and debt free basis and the proceeds from the transaction will be used to strengthen the Company’s balance sheet.

The share purchase agreement contains customary warranties relating to, amongst other things, title, capacity, authority and solvency matters, together with additional business and tax warranties as are customary for such a transaction. Certain fundamental warranties relating to title, capacity and authority were also given by Capita Justice on completion. Access also gave customary warranties in favour of Capita Justice.

The share purchase agreement includes customary financial thresholds, time limitations and other limitations and exclusions in relation to claims made under it by Access, in particular:

- (i) the financial liability of Capita Justice in respect of any warranty claims (excluding fundamental warranty claims) and claims under the related tax covenant is capped at £664,421; and
- (ii) the maximum aggregate liability of Capita Justice for all claims (including fundamental warranty claims) under the agreement is capped at the aggregate consideration paid by Access.

Access has the benefit of a warranty and indemnity insurance policy, which provides insurance cover in respect of certain warranty claims (excluding fundamental warranty claims) and claims under the tax covenant that exceed £664,421.

No warranty claims (other than in respect of tax claims) may be brought by Access after the date that is 18 months after completion and, in respect of tax claims or claims under the tax covenant, the date that is seven years after completion.

The share purchase agreement also includes certain indemnities. Capita Justice has indemnified Access in respect of certain liabilities in connection with the employees that transferred from Capita Justice to Access under the agreement. Access has indemnified Capita Justice and the Group against certain liabilities in connection with any breach by Access of its obligation under the agreement not to challenge the ownership or validity of any right of Capita Justice and the Group in or to certain Capita trade names.

(b) **RCF Agreement**

On 8 August 2014, the Company as borrower and the Obligors as guarantors entered into a £600,000,000 revolving credit facility agreement with, amongst others, Lloyds Bank plc as agent and certain lenders named therein, which has been amended pursuant to amendment letters dated 5 November 2014 and 13 June 2017, amended and restated pursuant to a supplemental agreement dated 2 December 2019 and further amended by an amendment letter dated 14 October 2020. The key terms of the RCF Agreement are set out as below:

RCF Creditors

The RCF Creditors are Barclays Bank PLC, ING Bank NV, London Branch, Lloyds Bank plc, Deutsche Bank AG Filiale Luxemburg, Goldman Sachs International Bank (an affiliate of GSI), National Westminster Bank plc, Sumitomo Mitsui Banking Corporation, London Branch and Citicorp North America, Inc.

Facility

The facility made available under the RCF Agreement was originally a revolving loan facility in the amount of £414,000,000, which amount was subsequently increased to £452,000,000 on 3 February 2020. As at the Latest Practicable Date, the RCF Agreement has been drawn to an amount of £100 million.

Purpose

The amounts borrowed under the RCF Agreement shall be used for the general corporate purposes of the Group.

Availability period, repayment and prepayment

The facility under the RCF Agreement is available for utilisation until 31 August 2022 (such date being the initial termination date of the facility). However, the Company may request that the facility is extended for one further year until 31 August 2023, provided that no event of default under the RCF Agreement is continuing or would result from the proposed extension. If the Company so requests, each lender would be entitled to agree to such extension in its individual and sole discretion and, if the lenders so agree, the facility shall be available for utilisation until 31 August 2023.

Each loan drawn under the RCF Agreement is repayable on the last day of its interest period. The RCF Agreement also contains customary prepayment provisions, including mandatory prepayment events in case of illegality or a change of control in respect of the Company.

Interest and interest periods

Loans under the RCF Agreement bear interest at a rate equal to the relevant rate of LIBOR or EURIBOR (in relation to loans in euro) plus the applicable margin. The initial margin is 0.90 per cent. per annum, and then the margin varies between 0.75 per cent. and 1.50 per cent. per annum depending on the net leverage ratio of the Group.

Guarantees and security

The RCF Agreement is unsecured but is guaranteed by each Obligor. The Company must also ensure that any of its subsidiaries that have provided a guarantee in connection with: (i) certain of the Group's existing debt securities; or (ii) other indebtedness entered into with persons who are not members with the Group and in a principal amount exceeding £75,000,000, must, in each case, also provide a guarantee in respect of the RCF Agreement.

Financial covenants

The RCF Agreement requires the Company to ensure compliance with the following financial covenants (in each case, tested semi-annually):

- (i) the ratio of consolidated total net borrowings to adjusted consolidated EBITDA does not exceed (A) 4.0:1 on each testing date falling on 31 December 2020 and 30 June 2021 insofar as Completion has not yet

occurred prior to each such testing date; or (B) 3.5:1 on each other relevant testing date to the extent (A) does not apply; and

- (ii) the ratio of consolidated EBITA to consolidated net finance costs is not less than 4.0:1 on each relevant testing date.

Representations, undertakings and events of default

The RCF Agreement restricts the Company from making distributions to its Shareholders and effecting buy-backs of its own shares for the period commencing on Completion and ending on 31 December 2022. The Company is also required to apply the net proceeds received in respect of the Disposal in certain specified ways, including to repay certain existing financial indebtedness of the Group and to make contributions to the Group's pension scheme.

The RCF Agreement otherwise contains customary representations, undertakings and events of default for financings of this nature.

(c) **Original Bridge Facility**

On 21 February 2020, the Company as borrower and the Obligors as guarantors entered into the Original Bridge Facility with Barclays Bank PLC as agent and Barclays Bank PLC and Goldman Sachs Bank USA (an affiliate of GSI) as mandated lead arrangers and original lenders, which has been amended pursuant to an amendment letter dated 14 October 2020. The key terms of the Original Bridge Facility are set out as below:

Original Bridge Creditors

The Original Bridge Creditors are Barclays Bank PLC and Goldman Sachs Bank USA.

Facility

The amount of the total commitments drawable under the Original Bridge Facility was originally £150,000,000. With effect from 30 June 2020, the Original Bridge Facility was cancelled by an amount equal to £56,500,000. As such, the amount of the total commitments currently drawable under the Original Bridge Facility is £93,500,000. As at the Latest Practicable Date, the Original Bridge Facility remains undrawn.

Purpose

The amounts borrowed under the Original Bridge Facility shall be used for the general corporate purposes of the Group, including the refinancing of the existing indebtedness of the Group.

Availability period, repayment and prepayment

The initial termination date under the Original Bridge Facility is 28 February 2021 (with the facility being available for utilisation until one month prior to such date). However, the Company may extend the facility on three separate consecutive occasions to 31 August 2021, 28 February 2022 and 31 August 2022 respectively (in each case, with the facility being available for utilisation until one month prior to each of these dates), provided that the following conditions are satisfied for the purposes of each such extension: (i) the Company pays an extension fee; (ii) no event of default under the Original Bridge Facility is continuing or would result from the proposed extension; and (iii) certain representations under the Original Bridge Facility remain true in all material respects.

Each loan drawn under the Original Bridge Facility is repayable on the last day of its interest period. The Original Bridge Facility also contains customary

prepayment provisions, including mandatory prepayment events in case of illegality, a change of control in respect of the Company, receipt by the Group of certain disposal proceeds and receipt by the Group of certain funding proceeds.

Interest and interest periods

Loans under the Original Bridge Facility bear interest at a rate equal to the relevant rate of LIBOR or EURIBOR (in relation to loans in euro) plus the applicable margin. The initial margin is 0.90 per cent. per annum, and then the margin is increased by 0.25 per cent. per annum on the three-month anniversary of the Original Bridge Facility and by a further 0.25 per cent. per annum on the date falling every three months thereafter.

Guarantees and security

The Original Bridge Facility is unsecured but is guaranteed by each Obligor. The Company must also ensure that any of its subsidiaries that have provided a guarantee in connection with: (i) certain of the Group's existing debt securities; or (ii) other indebtedness entered into with persons who are not members with the Group and in a principal amount exceeding £75,000,000, must, in each case, also provide a guarantee in respect of the Original Bridge Facility.

Financial covenants

The Original Bridge Facility requires the Company to ensure compliance with the following financial covenants (in each case, tested semi-annually):

- (i) the ratio of consolidated total net borrowings to adjusted consolidated EBITDA does not exceed (A) 4.0:1 on each testing date falling on 31 December 2020 and 30 June 2021 insofar as Completion has not yet occurred prior to each such testing date; or (B) 3.5:1 on each other relevant testing date to the extent (A) does not apply; and
- (ii) the ratio of consolidated EBITA to consolidated net finance costs is not less than 4.0:1 on each relevant testing date.

Representations, undertakings and events of default

The Original Bridge Facility restricts the Company from making distributions to its Shareholders and effecting buy-backs of its own shares for the period commencing on Completion and ending on 31 December 2022. The Company is also required to apply the net proceeds received in respect of the Disposal in certain specified ways, including to repay certain existing financial indebtedness of the Group and to make contributions to the Group's pension scheme.

The Original Bridge Facility otherwise contains customary representations, undertakings and events of default for financings of this nature.

(d) Supplemental Bridge Facility

On 13 August 2020, the Company as borrower and the Obligors as guarantors entered into the Supplemental Bridge Facility with Lloyds Bank plc as agent and Lloyds Bank plc and Goldman Sachs Bank USA (an affiliate of GSI) as mandated lead arrangers and original lenders, which has been amended pursuant to an amendment letter dated 14 October 2020. The key terms of the Supplemental Bridge Facility are set out below:

Supplemental Bridge Creditors

The Supplemental Bridge Creditors are Lloyds Bank plc and Goldman Sachs Bank USA.

Facility

The facility made available under the Supplemental Bridge Facility is a revolving loan facility in the amount of £56,500,000. As at the Latest Practicable Date, the Supplemental Bridge Facility remains undrawn.

Purpose

The amounts borrowed under the Supplemental Bridge Facility shall be used for the general corporate purposes of the Group, including the refinancing of the existing indebtedness of the Group.

Availability period, repayment and prepayment

The initial termination date under the Supplemental Bridge Facility is 28 February 2021 (with the facility thereunder being available for utilisation until one month prior to such date). However, the Company may extend the facility on three separate consecutive occasions to 31 August 2021, 28 February 2022 and 30 April 2022, respectively (in each case, with the facility being available for utilisation until one month prior to each of these dates), provided that the following conditions are satisfied for the purposes of each such extension: (i) the Company pays an extension fee; (ii) no event of default under the Supplemental Bridge Facility is continuing or would result from the proposed extension; and (iii) certain representations under the Supplemental Bridge Facility remain true in all material respects.

Each loan drawn under the Supplemental Bridge Facility is repayable on the last day of its interest period. The Supplemental Bridge Facility contains certain customary prepayment provisions, including mandatory prepayment events in case of illegality, a change of control in respect of the Company, receipt by the Group of certain disposal proceeds and receipt by the Group of certain funding proceeds. The Company is also required to prepay all amounts accrued under the Supplemental Bridge Facility and cancel the Supplemental Bridge Facility if it fails to comply with its obligation to grant security described in paragraph (ii) of the section entitled “*Guarantees and security*” below.

Interest and interest periods

Loans under the Supplemental Bridge Facility bear interest at a rate equal to the relevant rate of LIBOR or EURIBOR (in relation to loans in euro) plus the applicable margin. The initial margin is 2.15 per cent. per annum, and then the margin is increased by 0.25 per cent. per annum on and from 21 August 2020, and by a further 0.25 per cent. per annum on and from the date falling every three months thereafter until 21 February 2022, whereupon the margin is increased by 0.50 per cent. per annum.

Guarantees and security

The Supplemental Bridge Facility is guaranteed by each Obligor. The Company must also ensure that any of its subsidiaries that have provided a guarantee in connection with: (i) certain of the Group’s existing debt securities; or (ii) other indebtedness entered into with persons who are not members with the Group and in a principal amount exceeding £75,000,000, must also provide a guarantee in respect of the Supplemental Bridge Facility.

The Supplemental Bridge Facility is currently unsecured. However, if the facility is extended beyond 28 February 2021:

- (i) the Company and the lenders are required to use commercially reasonable endeavours to agree the terms and scope of a security package to be granted in favour of lenders, provided that the amount to be secured by such security shall not exceed £40,000,000; and

- (ii) the Company shall ensure that the relevant security is granted in favour of the lenders no later than 14 April 2021.

Financial covenants

The Supplemental Bridge Facility requires the Company to ensure compliance with the following financial covenants (in each case, tested semi-annually):

- (i) the ratio of consolidated total net borrowings to adjusted consolidated EBITDA does not exceed (A) 4.0:1 on each testing date falling on 31 December 2020 and 30 June 2021 insofar as Completion has not yet occurred prior to each such testing date; or (B) 3.5:1 on each other relevant testing date to the extent (A) does not apply; and
- (ii) the ratio of consolidated EBITA to consolidated net finance costs is not less than 4.0:1 on each relevant testing date.

Representations, undertakings and events of default

The Supplemental Bridge Facility restricts the Company from making distributions to its Shareholders and effecting buy-backs of its own shares for the period commencing on Completion and ending on 31 December 2022. The Company is also required to apply the net proceeds received in respect of the Disposal in certain specified ways, including to repay certain existing financial indebtedness of the Group and to make contributions to the Group's pension scheme.

The Supplemental Bridge Facility otherwise contains customary representations, undertakings and events of default for financings of this nature.

(e) US PP Documents

The Company periodically issues private placement notes through its subsidiary, Capita Holdings Limited, denominated in pounds sterling or US dollars (the "**US PP Notes**"), to institutional investors (the "**US PP Creditors**"). Capita Holdings Limited has issued US PP Notes pursuant to:

- (i) the note purchase and guarantee agreement dated 19 July 2011 (as amended from time to time) entered into between, amongst others, Capita Holdings Limited as issuer, with respect to the outstanding \$236,000,000 series B notes due 19 July 2021 and £35,000,000 series C notes due 19 July 2021;
- (ii) the note purchase and guarantee agreement dated 26 July 2011 (as amended from time to time) entered into between, amongst others, Capita Holdings Limited as issuer, with respect to the outstanding \$50,000,000 notes due 26 July 2021;
- (iii) the note purchase and guarantee agreement dated 18 November 2014 (as amended from time to time) entered into between, amongst others, Capita Holdings Limited as issuer, with respect to the outstanding \$40,000,000 series A notes due 22 January 2022, \$65,000,000 series B notes due 22 April 2022, £25,000,000 series C notes due 22 January 2022, \$53,000,000 series D notes due 22 January 2023, \$98,500,000 series E notes due 22 January 2025, £10,000,000 series F notes due 22 January 2025, £30,000,000 series G notes due 22 April 2025, \$37,000,000 series H notes due 22 January 2027 and £32,000,000 series I notes due 22 January 2027; and
- (iv) the note purchase and guarantee agreement dated 27 October 2016 (as amended from time to time) entered into between, amongst others, Capita Holdings Limited as issuer, with respect to the outstanding \$25,000,000 series A notes due 27 October 2021, £48,500,000 series B notes due 27 October 2021, \$24,000,000 series C notes due 27 October 2023,

£37,000,000 series D notes due 27 October 2023, \$26,000,000 series E notes due 27 October 2026, and £25,000,000 series F notes due 27 October 2026, (together, the “**US PP Documents**”).

The terms and conditions of each of the US PP Notes are broadly similar and contain mostly standard private placement market terms. The key terms of the US PP Notes are set out as below:

Prepayment and make-whole

The US PP Notes may be prepaid at any time in whole or in part (subject to a minimum amount of US\$5 million or £5 million) at par plus all accrued and unpaid interest plus a market make-whole premium, if any.

In general terms, the make-whole premium will be equal to the difference (but not less than zero) between: (a) the present value of the remaining principal payments on the principal amount to be prepaid, discounted at a rate equal to the yield on the most actively-traded on the run US treasury note (or, in the case of pounds sterling denominated notes, the actively-traded on the run UK gilt securities which most closely matches the maturity of the US PP Notes) plus 50 basis points; and (b) the principal amount of the US PP Notes to be prepaid.

The US PP Notes are not subject to required prepayments prior to the final maturity date except in connection with a change of control or due to acceleration on event of default.

Interest and interest periods

Interest under the US PP Notes is payable by Capita Holdings Limited semi-annually in arrears.

Guarantees

The US PP Notes are guaranteed by Capita and any additional subsidiary guarantors.

Financial Covenants

Each of the US PP Documents requires the Company to comply with two principal financial covenants:

- (i) the Company's consolidated net indebtedness to adjusted consolidated EBITDA ratio must not exceed 3:1, provided that the Company may raise this ratio to 3.5:1 for up to two consecutive testing dates in certain circumstances; and
- (ii) the Company must maintain a ratio of consolidated EBITA to consolidated net interest expense of not less than 4.0:1.

Representations, other covenants and events of default

The US PP Documents contain customary representations, covenants and events of default for financings of this nature.

Amendments to the US PP Notes

On 20 April 2018, Capita agreed the following with the US PP Creditors:

- (i) the introduction of a minimum basket size of £50 million in relation to subsidiary indebtedness and permitted liens, and £100 million in respect of bonds and guarantees in line with the corresponding baskets under the Group's other financing arrangements;

- (ii) certain restructuring costs to be excluded from the calculation of the covenant test, and certain assets to be excluded from the restrictions on disposals; and
- (iii) the flexibility to increase the consolidated net indebtedness to adjusted consolidated EBITDA ratio from 3:1 to 3.5:1 if Capita would otherwise breach the covenant as a result of first-year losses from significant new contract wins as a result of the adoption of IFRS 15.

(f) **Euro Notes**

The Company has issued certain private placement notes denominated in Euros to institutional investors (the “**Euro Noteholders**”). On 10 November 2015, the Company issued:

- (i) €230,000,000 2.125 per cent. fixed rate bearer notes represented by a global note due on 10 November 2022; and
- (ii) €60,000,000 2.875 per cent. fixed rate bearer notes represented by a global note due on 10 November 2027,

(together, the “**Euro Notes**”).

The terms and conditions of each of the Euro Notes are broadly identical and contain standard market terms. The key terms of the Euro Notes are set out as below:

Interest and interest periods

Interest under the Euro Notes is payable annually in arrear on 10 November of each year or, if that day is not a business day, the immediately following business day.

Guarantees

The Euro Notes are unsecured but are guaranteed by certain subsidiaries of the Company. The Company must also ensure that any of its subsidiaries that have provided a guarantee in connection with other indebtedness entered into with persons who are not members of the Group and in a principal amount of £75,000,000 or greater, must also provide a guarantee in respect of the Euro Notes.

Financial covenants

The Euro Notes require the Company to ensure compliance with the following financial covenants (in each case, tested semi-annually):

- (i) the ratio of consolidated total net borrowings to adjusted consolidated EBITDA does not exceed 3.5:1 on each relevant testing date; and
- (ii) the ratio of consolidated EBITA to consolidated net finance costs is not less than 4.0:1 on each relevant testing date.

Undertakings, events of default and early redemption

The Euro Notes contain certain customary undertakings such as limitations on disposals, mergers and repayment of financial indebtedness.

The Euro Noteholders are entitled to demand immediate redemption for good cause (*wichtiger Grund*) that is in particular constituted in the case of non-payment, breach of other obligations, cross-default (above the threshold of £50 million or its equivalent in any other currency), insolvency, insolvency proceedings, the commencement of creditors' processes, repudiation, cessation of business, unpermitted disposal of guarantors or in case of a change of control of the Company.

The Company may give notice to prepay the Euro Notes, together with any accrued interest due up to (but excluding) the date of such early redemption, on the occurrence of any change in or amendment to the laws or regulations prevailing in the United Kingdom (which becomes effective on or after the 10 November 2015), or as a result of any application or official interpretation of such laws or regulations not generally known before that date, the result of which is that withholding taxes are or will be leviable on payments of principal or interest, and such withholding tax is to be borne by the Company.

(g) **Euro Schuldschein Loan**

On 11 November 2015, the Company as borrower and Deutsche Bank Aktiengesellschaft as initial lender entered into a €20,000,000 Schuldschein loan agreement (*Schuldscheindarlehen*) due on 10 November 2022 (the “**Schuldschein Loan**”). The Schuldschein Loan was last amended in 2018 and Landesbank Hessen-Thüringen Girozentrale is currently the sole creditor. The key terms of the Schuldschein Loan are set out as below:

Principal amount

The principal amount of the Schuldschein Loan is €20,000,000.

Purpose

The amounts borrowed under the Schuldschein Loan shall be used for general corporate purposes.

Repayment and prepayment

The Schuldschein Loan was fully disbursed and is repayable on 10 November 2022 or, if that day is not a business day, the immediately following business day.

Each creditor is entitled to require repayment of its portion of the Schuldschein Loan in case of a change of control in respect of the Company, subject to certain conditions regarding the rating of the Schuldschein Loan or any other senior financial indebtedness of the Company during a period of 120 days following the change of control.

The Company may give notice to prepay the relevant creditor's portion of the Schuldschein Loan in whole, on the occurrence of any change in or amendment to the laws or regulations prevailing in the United Kingdom (which becomes effective on or after the 11 November 2015), or as a result of any application or official interpretation of such laws or regulations not generally known before that date, the result of which is that withholding taxes are or will be leviable on payments of principal or interest and such withholding taxes are to be borne by the Company.

Interest and interest periods

The rate of interest under the Schuldschein Loan is 2.125 per cent. per annum payable annually in arrear on 10 November of each year or, if that day is not a business day, the immediately following business day.

Guarantees

The Schuldschein Loan is unsecured but is guaranteed by certain subsidiaries of the Company. The Company must also ensure that any of its subsidiaries that have provided a guarantee in connection with other indebtedness entered into with persons who are not members of the Group and in a principal amount of £75,000,000 or greater, must also provide a guarantee in respect of the Schuldschein Loan.

Financial covenants

The Schuldschein Loan requires the Company to ensure compliance with the following financial covenants (in each case, tested annually):

- (i) the ratio of consolidated total net borrowings to adjusted consolidated EBITDA does not exceed 3.5:1 on each relevant testing date; and
- (ii) the ratio of consolidated EBITA to consolidated net finance costs is not less than 4.0:1 on each relevant testing date.

Representations, undertakings and events of default

The Company and guarantors give certain customary representations as regards the validity, binding effect and enforceability of their obligations, accuracy of certain conditions precedent and the most recent audited financial statements.

The Schuldschein Loan contains certain customary undertakings such as limitations on disposals, mergers and repayment of financial indebtedness.

In addition to statutory termination rights under German law, the creditors are entitled to terminate and demand immediate repayment for good cause (*wichtiger Grund*), which shall be any of the following: non-payment, breach of other obligations, cross-default (above the threshold of £50 million or its equivalent in any other currency), insolvency, insolvency proceedings, the commencement of creditors' processes, repudiation, material adverse change, cessation of business or unpermitted disposal of guarantors.

(h) **Arrangements with the Trustee of the Scheme**

On 31 July 2020, the Company and CBSL entered into a framework agreement with the Trustee in respect of the Scheme and of the ABF Unwind. This framework agreement was further amended on 8 December 2020. Pursuant to such framework agreement and in order to facilitate the ABF Unwind, subject to Completion occurring, CBSL agreed to pay (or procure the payment of) a special contribution to the Scheme. As a condition of that contribution, the Trustee gives up its rights to income as B and C limited partner of the SLP.

The Trustee will also under the terms of the framework agreement assign its interests as the B and C limited partner in the SLP to CBSL.

The special contribution is estimated to be approximately £50.2m as at Completion. As described in paragraph 1.3 of Part III (*Summary of the Transaction Agreements*) of this document, the Purchaser shall pay (or procure the payment of) the special contribution in satisfaction of CBSL's obligation to pay (or procure payment of) the special contribution.

(i) **Transaction Agreements**

Your attention is drawn to Part III (*Summary of the Transaction Agreements*) of this document, which contains a summary of the key Transaction Agreements relating to the Disposal, being the Sale Agreements and the Transitional Services Agreement.

- 9.1.2 Save as disclosed in paragraph 9.1.1 of this Part VI, there are no contracts (other than contracts entered into in the ordinary course of business) which have been entered into by members of the Continuing Group: (i) within the two years immediately preceding the date of this document which are or may be, material; or (ii) which contain any provision under which any member of the Continuing Group has any obligation or entitlement which is material to the Continuing Group as at the date of this document.

9.2 Capita ESS Limited

No contracts have been entered into (other than contracts entered into in the ordinary course of business) by Capita ESS Limited either: (i) within the two years immediately preceding the date of this document which are or may be, material; or (ii) which contain any provision under which Capita ESS Limited has any obligation or entitlement which is material, in each case to Capita ESS Limited as at the date of this document.

9.3 Capita SIMS (India) Private Limited

No contracts have been entered into (other than contracts entered into in the ordinary course of business) by Capita SIMS (India) Private Limited: (i) within the two years immediately preceding the date of this document which are or may be, material; or (ii) which contain any provision under which Capita SIMS (India) Private Limited has any obligation or entitlement which is material in each case to Capita SIMS (India) Private Limited as at the date of this document.

10 Litigation

10.1 The Continuing Group

No member of the Continuing Group is or has been involved in any governmental, legal or arbitration proceedings nor, so far as the Company is aware, are any such proceedings pending or threatened by or against any member of the Continuing Group which may have, or have had during the 12 months preceding the date of this document, a significant effect on the Continuing Group's financial position or profitability.

10.2 Capita ESS Limited

Capita ESS Limited is not and has not been involved in any governmental, legal or arbitration proceedings nor, so far as the Company is aware, are any such proceedings pending or threatened by or against Capita ESS Limited which may have, or have had during the 12 months preceding the date of this document, a significant effect on Capita ESS Limited's financial position or profitability.

10.3 Capita SIMS (India) Private Limited

Capita SIMS (India) Private Limited is not and has not been involved in any governmental, legal or arbitration proceedings nor, so far as the Company is aware, are any such proceedings pending or threatened by or against Capita SIMS (India) Private Limited which may have, or have had during the 12 months preceding the date of this document, a significant effect on Capita SIMS (India) Private Limited's financial position or profitability.

11 Working capital

The Company is of the opinion that, taking into account the net proceeds of the Disposal payable on Completion and the facilities available to the Continuing Group, the Continuing Group has sufficient working capital for its present requirements, that is, for at least the next 12 months from the date of publication of this document.

12 Significant changes

12.1 The Continuing Group

There has been no significant change in the financial position or financial performance of the Continuing Group since 30 June 2020, being the end of the last financial period for which interim financial information on the Group has been published.

12.2 The Disposal Group

There has been no significant change in the financial position or financial performance of the Disposal Group since 30 June 2020, being the end of the last financial period for which financial information relating to the Disposal Group included in this document has been prepared.

13 Consents

- (a) Barclays has given and not withdrawn its written consent to the inclusion of its name in this document in the form and context in which it is included.
- (b) GSI has given and not withdrawn its written consent to the inclusion of its name in this document in the form and context in which it is included.
- (c) KPMG LLP ("**KPMG**") has given and has not withdrawn its written consent to the inclusion in Part V (*Unaudited Pro Forma Statement of Net Assets*) of this document of its report in the form and context in which it is included.

14 Documents available for inspection

Copies of the following documents may be inspected during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) at the registered office of the Company at 65 Gresham Street, London EC2V 7NQ, United Kingdom up to and including the date of the General Meeting:

- (a) the up-to-date articles of association of the Company;
- (b) the consent letter(s) referred to in paragraph 13 of this Part VI;
- (c) the report of KPMG set out in Part V (*Unaudited Pro Forma Statement of Net Assets*) of this document;
- (d) the Sale Agreements;
- (e) the consolidated audited accounts of the Group for each of the two financial years ended 31 December 2018 and 31 December 2019; and
- (f) this document.

Copies of the above documents other than the Sale Agreements may be inspected on the Company's website at www.capita.com/investors/shareholder-information/gm-shareholder-questions.

**PART VII
DOCUMENTATION INCORPORATED BY REFERENCE**

<u>Information incorporated by reference</u>	<u>Document reference</u>	<u>Page number(s) in this document</u>
Company's 2017 Annual Report and Accounts	Details of related party transactions that the Company has entered into for the financial year ended 31 December 2017 (page 160)	38
Company's 2018 Annual Report and Accounts	Details of related party transactions that the Company has entered into for the financial year ended 31 December 2018 (page 164)	38
Company's 2019 Annual Report and Accounts	Details of related party transactions that the Company has entered into for the financial year ended 31 December 2019 (page 170)	38
Company's Half Year Results 2020 .	The Company's half-year condensed consolidated balance sheet (page 25) and the notes referred to therein (pages 31-32, 37-39 and 41-44) Details of related party transactions that the Company has entered into for the six months ended 30 June 2020 (page 44)	28, 38

PART VIII
DEFINITIONS AND GLOSSARY

The following definitions apply throughout this document, unless stated otherwise:

ABF	the asset-backed contribution structure established for the benefit of the Capita Pension and Life Assurance Scheme, which currently holds the SIMS IPR which forms part of the SLP Operations
ABF Unwind	the steps taken to facilitate the sale of the SIMS IPR which forms part of the SLP Operations by the SLP to the Purchaser as set out in paragraph 1.5 of Part III (<i>Summary of the Transaction Agreements</i>) of this document
Access	Access UK Ltd, a company incorporated in England and Wales with registered number 02343760 and whose registered office is at The Old School, School Lane, Stratford St. Mary, Colchester, Essex, CO7 6LZ, England
API	application programming interface
Barclays	Barclays Bank PLC
Board	the board comprising the Directors
BPO	business process outsourcing
Capita Justice	Capita Justice & Secure Services Holdings Limited, a company incorporated in England and Wales with registered number 04746912 and whose registered office is at 65 Gresham Street, London EC2V 7NQ, United Kingdom
Capita Scotland (Pension) Limited Partnership or SLP	Capita Scotland (Pension) Limited Partnership, a Scottish limited partnership with registered number SL011676, having its principal place of business at Pavilion Building Ellismuir Way, Tannochside Park, Uddingston, Glasgow, G71 5PW, Scotland
Capita Share Ownership Plan	each of the Capita plc Share Incentive Plan 2017 and the Capita Share Incentive Plan 2008
CBSL	Capita Business Services Ltd, a company incorporated in England and Wales with registered number 02299747 and whose registered office is at 65 Gresham Street, London EC2V 7NQ, United Kingdom
Chief Executive Officer	Jonathan Lewis, Chief Executive Officer of the Company
Company or Capita	Capita plc, a company incorporated in England and Wales with registered number 02081330 and whose registered office is at 65 Gresham Street, London EC2V 7NQ, United Kingdom
Completion	completion of the Disposal in accordance with the Transaction Agreements
Continuing Group	the Group, following Completion, excluding the Disposal Group
COVID-19	the coronavirus disease 2019, an illness caused by severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2)
CREST	the relevant system (as defined in the Uncertificated Securities Regulations 2001 (SI 2001 / 3755)) in respect of which Euroclear UK & Ireland Limited is the operator (as

	defined in such Regulations) in accordance with which securities may be held and transferred in uncertificated form
DAB	the Capita plc Deferred Bonus Plan 2017
Deferred Consideration	a deferred consideration amount of £45m, payable by the Purchaser in connection with the Disposal, contingent on certain future events
Directors	the directors of the Company, whose names are set out on page 32 of this document
Disposal	the proposed disposal of the Disposal Group and the SLP Operations pursuant to the Transaction Agreements
Disposal Group	Capita ESS Limited, a company incorporated in England and Wales with registered number 12595779 and whose registered office is at 65 Gresham Street, London EC2V 7NQ, United Kingdom and Capita SIMS (India) Private Limited, a company incorporated in India with registered number U72900MH2013FTC240262 and whose registered office is at Plant 6, Gate 2, Godrej & Boyce Complex, LBS Marg, Pirojshahnagar, Vikhroli (West), Mumbai—400 079, India (excluding any assets comprising the SIMS Pay Business) which carry out the Company's education software solutions business (excluding the SIMS Pay Business)
DTRs	the Disclosure Guidance and Transparency Rules made by the FCA pursuant to Part 6 of FSMA
EHL	Eclipse (Hardware) Limited, a company incorporated in England and Wales with registered number 02210162 and whose registered office is at The Old School, School Lane, Stratford St. Mary, Colchester, CO7 6LZ, England
Euro PP Documents	(i) the €60,000,000 2.875 per cent. fixed rate bearer notes issued by Capita and due on 10 November 2027; (ii) the €230,000,000 2.125 per cent. fixed rate bearer notes issued by Capita and due on 10 November 2022; and (iii) the €20,000,000 assignable loan agreement dated 11 November 2015 (as last amended in 2018) and due on 10 November 2022 originally entered into between the Company and Deutsche Bank Aktiengesellschaft
Executive Directors	the executive directors of the Company, whose names are set out on page 35 of this document
FCA	the Financial Conduct Authority of the United Kingdom and, where applicable, any successor body or bodies carrying out the functions currently carried on by the Financial Conduct Authority
FSMA	the Financial Services and Markets Act 2000
General Meeting	the general meeting of the Company to be held at Linklaters LLP, One Silk Street, London EC2Y 8HQ on 14 January 2021 at 11:00 a.m. (or any adjournment thereof, notice of which is set out at the end of this document)
Group	the Company and its subsidiary undertakings
GSI	Goldman Sachs International
KPMG	KPMG LLP

Latest Practicable Date	11 December 2020, being the latest practicable date before publication of this document
Listing Rules	the rules and regulations made by the FCA in its capacity as the UK Listing Authority under the FSMA, and contained in the UK Listing Authority's publication of the same name
London Stock Exchange	London Stock Exchange plc, together with any successor body thereto
Long Stop Date	14 April 2021
LTIP	the Capita plc Long-Term Incentive Plan 2017
Montagu	Montagu Private Equity LLP, a limited liability partnership incorporated in England and Wales under number OC319972 and whose registered office is at 2 More London Riverside, London SE1 2AP, United Kingdom
Non-Executive Directors	the non-executive directors of the Company, whose names are set out on page 36 of this document
Notice of General Meeting	the notice of the General Meeting set out at the end of this document
Notifiable Interest	the holdings in the Company's issued ordinary share capital (exclusive of treasury shares) notified to the Company pursuant to DTR 5 as at the Latest Practicable Date as set out on page 38 of this document
Obligors	The Company, Capita Holdings Limited, Capita Business Services Ltd, Capita Customer Management Limited and Capita Resourcing Limited
Original Bridge Creditors	the creditors in respect of the Original Bridge Facility from time to time
Original Bridge Facility	the £150,000,000 revolving credit facility agreement dated 21 February 2020 between the Obligors, Barclays Bank PLC as agent and Barclays Bank PLC and Goldman Sachs Bank USA as mandated lead arrangers and original lenders, as supplemented, amended and/or varied from time to time, including pursuant to an amendment letter dated 14 October 2020
PRA	the Prudential Regulation Authority of the United Kingdom and, where applicable, any successor body or bodies carrying out the functions currently carried out by the Prudential Regulation Authority
Purchaser	Tiger UK Bidco Limited, a company incorporated in England and Wales with registered number 13060715 and whose registered office is at 3rd Floor, 2 More London Riverside, London SE1 2AP, United Kingdom
Purchaser's Group	the Purchaser and its subsidiary undertakings
RCF Agreement	the £600,000,000 revolving credit facility agreement dated 8 August 2014 between, amongst others, the Obligors, as supplemented, amended and/or varied from time to time, including pursuant to amendment letters dated 5 November 2014 and 13 June 2017, a supplemental agreement dated 2 December 2019 and an amendment letter dated 14 October 2020
RCF Creditors	the creditors in respect of the RCF Agreement from time to time

Registrars	Link Asset Services of The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU
Regulatory Information Service	any of the services authorised by the FCA from time to time for the purpose of disseminating regulatory announcements
Resolution	the ordinary resolution to approve the Disposal as set out in the notice of General Meeting at the end of this document
Sale Agreements	(i) the share and intellectual property rights business purchase agreement between Capita ESS Holdings Limited, the SLP, the Company, CBSL and the Purchaser in respect of the entire issued share capital of Capita ESS Limited and the SLP Operations; and (ii) the share purchase agreement between Capita Cyprus Holdings Limited and the Purchaser in respect of the entire issued share capital of Capita SIMS (India) Private Limited, each as described in Part III (<i>Summary of the Transaction Agreements</i>) of this document
Scheme	the Capita Pension and Life Assurance Scheme
Schuldschein Loan	the €20,000,000 Schuldschein loan agreement (<i>Schuldscheindarlehen</i>) dated 11 November 2015, between, amongst others, the Company, Deutsche Bank Aktiengesellschaft and certain of the Company's subsidiaries as guarantors, as supplemented, amended and/or varied from time to time
Sellers	(i) Capita ESS Holdings Limited, a company incorporated in England and Wales with registered number 12714191 and whose registered office is at 65 Gresham Street, London EC2V 7NQ, United Kingdom and (ii) Capita Cyprus Holdings Limited, a company incorporated in Cyprus with registered number HE188421 and whose registered office is at Themistokli Dervi, 3, Julia House, 1066 Nicosia, Cyprus
Shareholder Condition	approval (by ordinary resolution) of the Disposal by the Shareholders at the General Meeting
Shareholders	the holders of the Shares
Shares	the ordinary shares of 2 ^{1/15} pence each in the capital of the Company
SIMS IPR	certain intellectual property rights to the SIMS software held, as at the date of this document, in the SLP further to an asset backed contribution structure for the benefit of the Scheme
SIMS Pay Business	a digital payments solutions business for the education sector carried on under the business name "SIMS Pay"
SLP Operations	the SLP's business of exploiting the SIMS IPR used by the education software solutions business
Supplemental Bridge Creditors	the creditors in respect of the Supplemental Bridge Facility from time to time
Supplemental Bridge Facility	the £56,500,000 supplemental revolving credit facility dated 13 August 2020 between the Obligors, Lloyds Bank plc as agent and Lloyds Bank plc and Goldman Sachs Bank USA as mandated lead arrangers and original lenders, as supplemented, amended and/or varied from time to time,

	including pursuant to an amendment letter dated 14 October 2020
Tax Indemnity	the tax deed of covenant to be entered into at Completion between Capita ESS Holdings Limited and the Purchaser
Transaction Agreements	the Sale Agreements, the Tax Indemnity and the Transitional Services Agreement
Transitional Services Agreement	the transitional services agreement between CBSL, Capita ESS Limited and the Purchaser
Trustee	CPLAS Trustees Limited, a company registered in England and Wales with registered number 08209916 and whose registered office is at 65 Gresham Street, London EC2V 7NQ, United Kingdom being the trustee for the time being of the Scheme
TSA Services	certain IT, HR, finance and property services that CBSL will provide to Capita ESS Limited and Capita SIMS (India) Private Limited pursuant to the Transitional Services Agreement and “ TSA Service ” means any one of them
UK Listing Authority	the FCA acting in its capacity as the competent authority for the purposes of Part 6 of FSMA
US PP Creditors	the holders of the outstanding notes issued pursuant to the US PP Documents
US PP Documents	<ul style="list-style-type: none"> (i) the note purchase and guarantee agreement dated 19 July 2011 (as amended from time to time) entered into between, amongst others, Capita Holdings Limited as issuer, with respect to the outstanding \$236,000,000 series B notes due 19 July 2021 and £35,000,000 series C notes due 19 July 2021; (ii) the note purchase and guarantee agreement dated 26 July 2011 (as amended from time to time) entered into between, amongst others, Capita Holdings Limited as issuer, with respect to the outstanding \$50,000,000 notes due 26 July 2021; (iii) the note purchase and guarantee agreement dated 18 November 2014 (as amended from time to time) entered into between, amongst others, Capita Holdings Limited as issuer, with respect to the outstanding \$40,000,000 series A notes due 22 January 2022, \$65,000,000 series B notes due 22 April 2022, £25,000,000 series C notes due 22 January 2022, \$53,000,000 series D notes due 22 January 2023, \$98,500,000 series E notes due 22 January 2025, £10,000,000 series F notes due 22 January 2025, £30,000,000 series G notes due 22 April 2025, \$37,000,000 series H notes due 22 January 2027 and £32,000,000 series I notes due 22 January 2027; and (iv) the note purchase and guarantee agreement dated 27 October 2016 (as amended from time to time) entered into between, amongst others, Capita Holdings Limited as issuer, with respect to the outstanding \$25,000,000 series A notes due 27 October 2021, £48,500,000 series B notes, \$24,000,000 series C notes due 27 October 2023, £37,000,000 series D notes due 27 October 2023, \$26,000,000 series E

notes due 27 October 2026, and £25,000,000 series F
notes due 27 October 2026

W&I Insurance Policy the warranty and indemnity insurance policy between the insurer named thereunder and the Purchaser dated on or around the date of the Sale Agreements to cover losses arising in relation to breaches of certain of the Sellers' warranties under those agreements and in respect of the Tax Indemnity

All times referred to are London times unless otherwise stated.

All references to legislation in this document are to the legislation of England and Wales unless otherwise stated. Any reference to any provision of any legislation shall include any amendment, modification, re-enactment or extension thereof.

Words importing the singular shall include the plural and vice versa, and words importing the masculine gender shall include the feminine or neutral gender.

CAPITA PLC
NOTICE OF GENERAL MEETING

NOTICE IS HEREBY GIVEN that a GENERAL MEETING of Capita plc (the “**Company**”) will be held at Linklaters LLP, One Silk Street, London EC2Y 8HQ on 14 January 2021 at 11:00 a.m. to consider and, if thought fit, pass the following resolution, which will be proposed as an ordinary resolution.

Ordinary resolution

THAT the Disposal, on the terms set out in the Sale Agreements (both as defined in the circular to shareholders dated 16 December 2020 (the “**Circular**”)), together with any associated and ancillary documents thereto, be and are hereby approved and the Directors (or a committee of the Directors) be and are hereby authorised to waive, amend, vary or extend any of the terms of the Sale Agreements (provided that any such waivers, amendments, variations or extensions are not of a material nature) and to do all such things as they may consider to be necessary, expedient or desirable to implement and give effect to, or otherwise in connection with, the Disposal and any matters incidental to the Disposal.

By order of the Board,

Francesca Todd

Secretary

16 December 2020

Registered office:

65 Gresham Street, London EC2V 7NQ, United Kingdom

Registered in England and Wales No. 02081330

Notes

The General Meeting

1. Given prevailing Government guidance and in line with legislation relating to holding company meetings during the COVID-19 pandemic, it is expected that the General Meeting will be convened with the minimum quorum of members present (which will be facilitated by the Company) in order to conduct the business of the General Meeting. The well-being of our members is vitally important to Capita and as we expect that members will not be able to attend the General Meeting due to the latest Government guidance, members should stay at home and vote by proxy on the resolution. In the interests of health and safety, members (and any appointed proxies (other than the chairman of the General Meeting) or corporate representatives) will not be admitted to the General Meeting.
2. We will continue to closely monitor the latest Government guidance in respect of COVID-19, and how this may affect the arrangements for the General Meeting. If it becomes necessary or appropriate to revise the current arrangements for the General Meeting, further information will be made available on our website at www.capita.com/investors/shareholder-information/gm-shareholder-questions and/or via a Regulatory Information Service.

Proxy appointment

3. Members are encouraged to vote on the resolution by appointing the chairman of the General Meeting as their proxy in the manner set out below. A member is entitled to appoint another person as his proxy to exercise all or any of his rights to attend and to speak and vote at the General Meeting. A proxy need not be a member of the Company. A member may appoint more than one proxy in relation to the General Meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that member.
4. A member may appoint a proxy online by following the instructions for the electronic appointment of a proxy at www.capitashares.co.uk. To be a valid proxy appointment, the form of proxy should be completed so as to be received by the Company’s Registrars, Link Asset Services, as soon as possible but, in any event, so as to arrive no later than 11:00 a.m. on 12 January 2021.

5. CREST members may use the CREST electronic proxy appointment service. To be a valid proxy appointment, the proxy appointment must be lodged using the CREST Proxy Voting Service in accordance with Notes 12 to 15 below so as to be received no later than 11:00 a.m. on 12 January 2021.
6. If you are an institutional investor, you may also be able to appoint a proxy electronically via the proxyimity platform. To be a valid proxy appointment, the proxy appointment must be lodged via the proxyimity platform in accordance with Note 16 below no later than 11:00 a.m. on 12 January 2021.
7. Alternatively, hard copy forms for the appointment of a proxy are available on request from Link Asset Services: email enquiries@linkgroup.co.uk or call +44 371 664 0300. Calls are charged at the standard geographic rate and will vary by provider. Calls from outside the United Kingdom will be charged at the applicable international rate. Lines are open 9:00 a.m. to 5:30 p.m., Monday to Friday excluding UK public holidays. To be valid, a hard copy proxy appointment form must be completed in accordance with the instructions that accompany it and then delivered (together with any power of attorney or other authority under which it is signed, or a certified copy of such item) to Link Asset Services, Proxy Department at The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU so as to be received as soon as possible and, in any case, so as to be received no later than 11:00 a.m. on 12 January 2021.
8. Under legislation relating to holding company meetings during the COVID-19 pandemic, the rights of members to attend and vote at a meeting of the Company in person have been suspended for a temporary period beginning on 26 March 2020 and ending on 30 March 2021. As the General Meeting, will be held during this period, members should stay at home and vote by proxy on the resolution. In the interests of health and safety, members (and any appointed proxies (other than the chairman of the General Meeting) or corporate representatives) will not be admitted to the General Meeting.

Nominated persons

9. The right to appoint a proxy does not apply to persons whose shares are held on their behalf by another person and who have been nominated to receive communications from the Company in accordance with Section 146 of the Companies Act 2006 (“**nominated persons**”). Nominated persons may have a right under an agreement with the member who holds the shares on their behalf to be appointed (or to have someone else appointed) as a proxy. Alternatively, if nominated persons do not have such a right, or do not wish to exercise it, they may have a right under such an agreement to give instructions to the person holding the shares as to the exercise of voting rights.

Information about shares and voting

10. Holders of ordinary shares are entitled to attend and vote at general meetings of the Company. The total number of issued ordinary shares in the Company on 11 December 2020 (excluding treasury shares), which is the latest practicable date before publication of this notice, is 1,668,973,568, carrying one vote each on a poll. Therefore, the total number of votes exercisable as at 11 December 2020 are 1,668,973,568.

Right to attend and vote

11. Entitlement to attend and vote at the meeting, and the number of votes which may be cast at the meeting, will be determined by reference to the Company’s register of members at 6:00 p.m. on 12 January 2021 or, if the meeting is adjourned, 48 hours before the time fixed for the adjourned meeting (as the case may be). In each case, changes to the register of members after such time will be disregarded. The resolution will be voted on by a poll so as to record the decision of all members based on their shareholding interests in the Company.

CREST members

12. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the meeting (and any adjournment of the meeting) by using the procedures described in the ‘CREST voting service’ section of the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have

appointed one or more voting service providers, should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

13. In order for a proxy appointment or proxy instruction made using the CREST voting service to be valid, the appropriate CREST message (a “**CREST Proxy Appointment Instruction**”) must be properly authenticated in accordance with the specifications of CREST’s operator, Euroclear UK & Ireland Limited (“**Euroclear**”), and must contain all the relevant information required by the CREST Manual (available at www.euroclear.com/about/en/business/Keylegaldocuments.html). To be valid, the message (regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy) must be transmitted so as to be received by Link Asset Services (ID RA10), as the Company’s “issuer’s agent”, by the latest time for receipt of proxy appointments specified in Note 5 above. For this purpose, the time of the message’s receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which Link Asset Services is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to a proxy appointed through CREST should be communicated to the appointee by other means.
14. CREST members (and, where applicable, their CREST sponsors or voting service providers) should note that Euroclear does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Appointment Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider, to procure that his or her CREST sponsor or voting service provider takes) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members (and, where applicable, their CREST sponsors or voting service providers) are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
15. The Company may treat as invalid a CREST Proxy Appointment Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

Proximity voting

16. If you are an institutional investor you may also be able to appoint a proxy electronically via the proximity platform, a process which has been agreed by the Company and approved by the Registrar. For further information regarding proximity, please go to www.proximity.io. Your proxy must be lodged by no later than 11:00 a.m. on 12 January 2021 in order to be considered valid. Before you can appoint a proxy via this process, you will need to have agreed to proximity’s associated terms and conditions. It is important that you read these carefully as you will be bound by them and they will govern the electronic appointment of your proxy.

Corporate representatives

17. Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member, provided that they do not do so in relation to the same shares.

Questions

18. Any member attending the meeting has the right to ask questions. If you are a member and would like to ask a question about the Disposal, please submit your question via the Q&A webpage at www.capita.com/investors/shareholder-information/gm-shareholder-questions by 11:00 a.m. on 12 January 2021. The Company must cause to be answered any such question relating to the business being dealt with at the meeting but no such answer need be given if: (a) to do so would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information; (b) the answer has already been given on a website in the form of an answer to a question; or (c) it is undesirable in the interests of the Company or good order of the meeting that the question be answered.

Website information

19. A copy of this notice and other information required by Section 311A of the Companies Act 2006 can be found at www.capita.com/investors/shareholder-information/gm-shareholder-questions.

Use of electronic address

20. Members may not use any electronic address provided in this notice of meeting or any related documents (including any form of proxy) to communicate with the Company for any purposes other than those expressly stated.

