Corporate governance

Chairman's report

On behalf of the Board, I am pleased to introduce the Company's corporate governance report for the year ended 31 December 2022, which is my first report as your Chairman.

> "Capita is committed to creating an environment where diversity and inclusion are valued and respected, and where we benefit from all colleagues sharing their different perspectives."
>
> **David Lowden,** Chairman

Corporate governance

The corporate governance report sets out how the Company has complied with the 2018 UK Corporate Governance Code. It also aims to explain the work and activities of the Board, and the work of its committees, and details the annual evaluation process for the year under review.

Capita is a purpose-led business, and we are committed to being a responsible business – in how we operate, serve society, respect our people and the environment, and deliver improving returns to our investors. The Board is committed to ensuring Capita's governance structure aligns with this and operates to the highest standard – this is one of my principal objectives as your Chairman.

In June 2022, the Board established an ESG (environmental, social and governance) Committee, a forum not affected by the time pressures of the wider Board agenda. This enables ESG matters to be properly considered and helps support the work being undertaken by the business to tackle them, including our commitment to achieve net zero across our value chain by 2035. I am proud that in 2022 Capita was, for the first time, included in the Carbon Disclosure Project 'A' list, a universal global measure that scores companies and cities based on their journey through disclosure and towards environmental leadership.

As a Board, we were also kept fully informed of the Company's refreshed mandatory Code of Conduct training and the relaunched Speak Up policy, which is overseen by the Audit and Risk Committee. Both initiatives are pivotal to our commitment to ensuring we remain true to our values and, by complying with the Code of Conduct we demonstrate our commitment to creating better outcomes across Capita.

The Group's Board and committee structure, including the new ESG Committee, is outlined below. Further information on the ESG Committee and its remit is provided on pages 88 and 89, with further information on Capita's responsible business focus provided on pages 34 to 45.

Board composition

There were several changes to the Board during 2022.

Matthew Lester stepped down on 30 June 2022, having served as a director for five years. On behalf of the Board, I would like to thank Matthew for his hard work, commitment and wise counsel, and especially for his leadership as Chair of the Audit and Risk Committee.

Lyndsay Browne and Joseph Murphy, our first employee directors, resigned on 30 June 2022, having served their three-year terms. I would also like to thank them for their commitment and professionalism. Their contribution to the Board was significant and provided fresh insight and a vital new perspective.

	31 December 2022
Female representation	44.4%

We welcomed Nneka Abulokwe and Brian McArthur-Muscroft to the Board as independent Non-Executive Directors on 1 February and 1 June 2022 respectively. Nneka has a wealth of experience gained within both entrepreneurial and corporate environments. Her expertise has already been of great benefit to the Board, as Capita continues to develop digital innovation to help execute our growth strategy.

Brian, who also took over the responsibilities of Audit and Risk Committee Chair on 1 July 2022, is a highly experienced chief financial officer and board director. Janine Goodchild joined the Board on 1 July 2022, as our new Employee Non-Executive Director and has already provided great insight.

I joined the Board as a Director on 1 January 2021 and was appointed as Senior Independent Director on 1 March 2021. Sir Ian Powell stepped down as Chairman at the conclusion of the Company's AGM on 10 May 2022, and I was pleased to accept the Chairman appointment, having been appointed as Chairman designate on 22 March 2022 as part of the Board's succession planning. Sir Ian had, since his appointment as Chairman in 2017, provided outstanding leadership and strategic guidance to the Board during a period of significant change for the business.

On 3 February 2023, we announced that John Cresswell, independent Non-Executive Director had decided to step down from the Board with effect from 31 March 2023. I would like to thank John for his commitment and valuable contribution to the Board during his seven year tenure as a director.

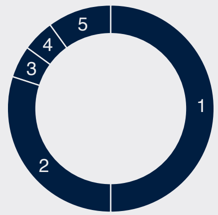
Capita is committed to creating an environment where diversity and inclusion are valued and respected, and where we benefit from all colleagues sharing their different perspectives. The Board will continue to lead by example through its own approach to inclusion and diversity across its composition. As at the date of this Annual Report, 44% of the Board is female, exceeding the FCA's target of 40%, including our Senior Independent Director. Our ethnic diversity continued to improve with the appointment of Nneka Abulokwe. Further details of Board appointments during 2022 can be found in the Nomination Committee report on pages 86 and 87.

Company purpose and culture

The Board recognises that it has ultimate responsibility for ensuring an appropriate culture is in place across Capita to underpin how the business behaves towards all its stakeholders. Our culture provides the foundation to drive our purpose and delivery of our strategy.

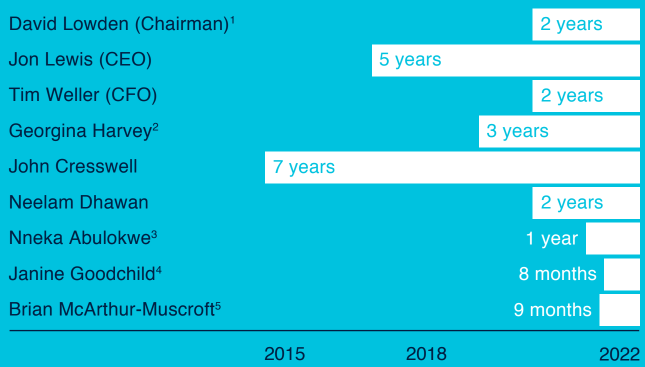
As a Board, we spend time focused on ensuring our culture enables us to build the organisational capability required to deliver on our commitments to our people, clients and customers, suppliers and partners, society and our investors. The Board receives regular reports on activities that enable it to monitor developments in the Group's culture and provides supportive challenge to management. The dashboard below is an aggregation of key measures informing the Board's

Board time allocation (%)



1 50% Strategy, transformation and growth
2 30% Executive reports
3 5% Governance (incl. Board evaluation)
4 5% IR / brand / reputation
5 10% Full and half-year results

Board directors: length of tenure



1. Joined the Board on 1 January 2021, appointed as Senior Independent Director (SID) on 1 March 2021 and as Chairman on 10 May 2022 when he ceased to be SID
2. Joined the Board on 1 October 2019 and as SID on 1 July 2022
3. Joined the Board on 1 February 2022
4. Joined the Board on 1 July 2022
5. Joined the Board on 1 June 2022

The time allocation chart is provided for guidance only and other matters were also considered by the Board.

assessment of culture, and further information on each of these, and the Group's approach to investing in and rewarding its workforce is set out in the people and responsible business sections of the strategic report on pages 33 to 36 and 37 to 45, respectively.

Metric	2022	2021
Movement in employee net promoter score (a measure of employee satisfaction)	+15 points	-22 points
Employee engagement index (a measure of employee engagement)	65%	56%
People survey response rate (a measure of employee engagement)	72%	68%
Employee rating of manager commitments (a measure of how managers live our values and demonstrate our behaviours)	90%	87%
Voluntary turnover (a measure of employee commitment)	30%	30%

The Board was pleased to note that, in 2022 scores increased in almost all areas of the people survey at a Group level and there is a general trend towards positivity. However, the Board recognises that we are still behind the benchmark in certain areas. A plan is being developed to deliver a range of action plans from Group level down to team level and this remains a key focus for our CEO, Jon Lewis, and the senior management team. The Board, through its ESG Committee, will continue to receive regular updates from management on the progress made against these action plans.

Board evaluation

The Board carries out effectiveness reviews annually. Due to the changes in Board membership, and an external evaluation being undertaken in 2021, the 2022 evaluation was undertaken internally.

Key findings of the evaluation performed in 2022 are set out below, together with actions taken during the year in response to the 2021 external evaluation performed by Independent Board Evaluation.

Finding from 2021 evaluation	Action in 2022
Succession planning – further in-depth focus needed to ensure Board composition is appropriate for the Group as it shifts focus from transformation to growth.	The Nomination Committee reviewed the skill set of the Board, and agreed a skills matrix aligned to the Group's redefined strategy. During the year, Nneka Abulokwe was appointed as a non-executive director. Her skillset will assist with the Board's strategy to develop digital innovation as part of the Group's growth strategy. David Lowden was appointed as chair designate on 22 March 2022 as part of the Board's succession planning, being appointed as Chairman on 10 May 2022. Brian McArthur-Muscroft was appointed as a non-executive director on 1 June 2022, he brings additional and current financial expertise to the Board given his role as chief financial officer of Qontigo, a financial management and investment management business.
Strategy – the Board has rightly focused on managing the pandemic amid a more complex and lengthy turnaround than originally envisaged. Additional focus on long-term strategy for the two core divisions would be beneficial.	Regular presentations from the CEOs of Experience and Public Service are scheduled into the Board's annual calendar, together with presentations on the Group's growth strategy, which include both divisions. In September 2022, the Board held a strategy day where these matters were discussed in detail.

The 2022 Board evaluation, and the evaluation of the committees, was undertaken by the completion of a questionnaire by each director, followed by a one-to-one meeting with the Chairman. The Board received a report from the Chairman on the outcome of the evaluation, including formal recommendations which were discussed and approved by the Board. Committee feedback was presented to the relevant committee chair. The Chairman was assisted in this process by Claire Denton, Chief General Counsel and Company Secretary.

The evaluation concluded that the performance of the Board was viewed positively. A particular strength of the Board was found to be a culture with honest and open debate. The evaluation also identified certain aspects of the Board's work that could be improved and these areas, set out in the following table, were highlighted and discussed by the Board.

Finding from 2022 evaluation	Proposed actions in 2023
Strategy – although noting the regular presentations from the CEOs of Experience and Public Service, additional focus was sought from the Board on the divisions' strategic focus on digital solutions and margin improvements.	Additional presentations have been included in the Board's annual calendar, these include a strategic focus on digital solutions to meet client requirements and margin improvement from Experience and Public Service.
Stakeholders – the Board noted that further interaction with both clients and senior management would be beneficial.	Visits to clients will be organised for the Board. In addition more members of the senior management team below the Executive Committee will be asked to present and meet with the Board in both a formal and more informal setting.

Corporate governance and committee reports

The following pages in this section consist of our corporate governance and committee reports. I hope that you will find these and the entire Annual Report informative. The Board will be happy to receive any feedback you may have.

David Lowden
Chairman
2 March 2023

Board members

Key to committees

(A) Audit and Risk (N) Nomination (R) Remuneration ● Committee chair

(E) Environmental, Social and Governance (ESG)

Chairman

David Lowden (N) (E)

Chairman

Appointed: January 2021 (independent Non-Executive Director); March 2021 (Senior Independent Director); May 2022 (Chairman)

Independent at appointment: Yes

Key skills and experience: David is a highly experienced non-executive director, senior independent director and chair of UK listed companies. He was formerly Chair of PageGroup plc and Huntsworth plc, Senior Independent Director at Berendsen, Chair of the Audit and Risk Committee at William Hill, Chair of the Audit Committee at Cable & Wireless Worldwide plc and Chief Executive of Taylor Nelson Sofres plc.

Other current appointments: Chairman of Diploma plc; and Senior Independent Director of Morgan Sindall plc.

Executive Directors

Jon Lewis (N)

Chief Executive Officer

Appointed: December 2017

Key skills and experience: before joining Capita, Jon was Chief Executive Officer of Amec Foster Wheeler. Prior to that, he had a 20-year career at Halliburton Company Inc, where he held a number of senior roles, including Senior Vice President and member of the Halliburton Executive Committee.

Board responsibilities: managing and developing Capita's business to achieve the Company's strategic objectives.

External appointments: board member of Equinor ASA.

Tim Weller

Chief Financial Officer

Appointed: May 2021

Key skills and experience: before joining Capita, Tim was at G4S for five years as its CFO and for three years before that as a Non-Executive Director. He has many years' experience as a CFO with Innogy, RWE Thames Water, United Utilities, Cable & Wireless Worldwide plc and Petrofac. He spent his early career at KPMG, where he trained to become a Chartered Accountant, becoming a partner in 1997.

Board responsibilities: overall control and responsibility for all financial aspects of the business's strategy.

External appointments: Non-Executive Director of The Carbon Trust.

Independent Non-Executive Directors

Georgina Harvey (N) (R) (E)

Senior Independent Director

Appointed: October 2019 (Non-Executive Director); July 2022 (Senior Independent Director)

Key skills and experience: Georgina has significant experience across highly competitive consumer-facing markets and of delivering successful transformational change. Prior to her current roles, Georgina was Managing Director of Regionals and a member of the Executive Committee of Trinity Mirror plc from 2005 to 2012.

Other current appointments: Non-Executive Director of Superdry plc and McColl's Retail Group plc.

Brian McArthur-Muscroft (A) (N) (R)

Appointed: June 2022

Key skills and experience: Brian was formerly the Group Chief Financial Officer at Micro Focus International plc, a FTSE 100 global infrastructure software company. Prior roles include CFO at Paysafe Group plc leading the business to a FTSE 250 listing on the LSE Main Market in 2016 and Group FD at Telecity Group plc. Also a restructuring specialist, he was interim CFO on the successful turnaround of MCI Worldcom EMEA. Prior to joining Capita he was a Non-Executive Director at Robert Walters plc. Brian holds a law degree and qualified as a chartered accountant with PricewaterhouseCoopers in London.

Other current appointments: Chief Financial Officer of Qontigo, a financial intelligence and investment management business.

Key to committees

A Audit and Risk N Nomination R Remuneration ● Committee chair
E Environmental, Social and Governance

Independent Non-Executive Directors

Nneka Abulokwe OBE N R E

Appointed: February 2022

Key skills and experience: Nneka has significant experience of delivering large-scale, high-profile technology projects for governments and private institutions globally. She held senior and executive positions with Logica (now CGI), Atos and Sopra Steria, in a corporate career spanning more than 25 years, before founding MicroMax Consulting, where she is currently CEO. Nneka was awarded Officer of the Order of the British Empire (OBE) in 2019 for services to business.

Other current appointments: Non-Executive Director, Davies Group; Director of MicroMax Consulting Limited; external member of the Audit & Risk Committee, University of Cambridge; adviser to Cranfield School of Management Advisory Board and DoGood Africa.

John Cresswell A N E

Appointed: November 2015

Key skills and experience: John has substantial experience in leading and growing organisations as CEO and executive director. He qualified as a Chartered Accountant, has a BSc in Economics and Politics, and attended the advanced management programme at Harvard Business School. Previously, he was CEO of Bibby Line Group and Arqiva, and held a number of executive director roles on the board of ITV plc.

Other current appointments: Chair of J Murphy and Sons Ltd; Chair of Bio4gas Holdings Limited and an Operating Advisor with Lazard Asset Management.

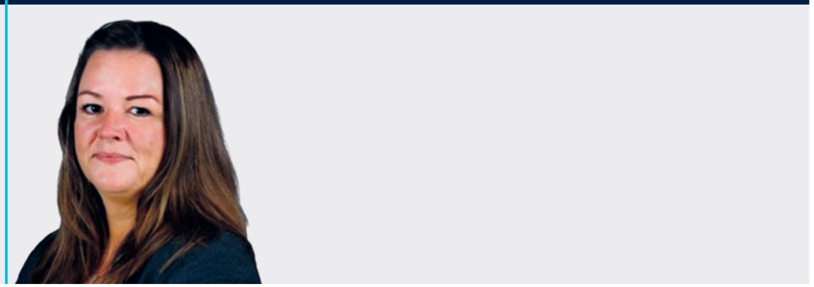
Neelam Dhawan A N R

Appointed: March 2021

Key skills and experience: Neelam has c.40 years' leadership experience in the IT industry, where she held senior positions in Hewlett-Packard, Microsoft, Compaq and IBM with responsibility for a wide range of areas including strategy, corporate development, software engineering and offshoring. She now advises multinationals on business and technology transformation and, until recently, was an advisor to IBM in India. Neelam recently stepped down from the Board of Skylo Technologies Inc. and as a member of Koninklijke Philips NV Supervisory Board, having served for the maximum term of 10 years.

Other current appointments: Non-Executive Board Member of ICICI Bank Limited and Yatra Online Inc. She mentors and advises young startup companies and is on the board of Capillary Technologies.

Employee Non-Executive Director



Janine Goodchild A E

Appointed: July 2022

Key skills and experience: Janine is a registered adult nurse and lead clinical trainer in the Capita team which assesses personal independence payment claims on behalf of the Department for Work and Pensions. Janine joined Capita in January 2016. Janine's previous experience includes working in the banking industry within corporate actions, asset reconciliations and within employee training and development.

Other current appointments: None.

Directors who served during the year 2022

Sir Ian Powell stepped down from the Board on 10 May 2022 at the conclusion of the Company's 2022 AGM.

Matthew Lester, **Lyndsay Browne** and **Joseph Murphy** retired from the Board on 30 June 2022.

On 3 February 2023, the Company announced that **John Cresswell** had decided to step down from the Board with effect from 31 March 2023.

Committed to high standards of governance

Corporate Governance Code

Capita plc and its subsidiaries (the Group) are committed to maintaining high standards of corporate governance. The UK Corporate Governance Code 2018 (the Code) applies to accounting periods beginning on or after 1 January 2019 and is available from the Financial Reporting Council's website, www.frc.org.uk.

Throughout the accounting period to which this report relates, the Company complied with all relevant provisions set out in sections 1 to 5 of the Code except:

- Provisions 24 and 32 (audit and remuneration committees respectively to comprise independent non-executive directors) as Joseph Murphy (member of the Audit and Risk Committee (ARC) until 30 June 2022) and Lyndsay Browne (member of the Remuneration Committee (RemCo) until 30 June 2022), were both non-executive employee directors and therefore not considered independent. However, the Board considered that the value of the employee perspective brought by Lyndsay and Joseph to Board meetings should be replicated on those two committees. Lyndsay and Joseph resigned from the Board on 30 June 2022, having served their three-year term.
- Provision 12 (appointment of a senior independent director). Following David Lowden's appointment as Chairman on 10 May 2022 and until the appointment of Georgina Harvey as senior independent director (SID) on 1 July 2022, the Company did not have a SID.
- Following the appointment of David as Chairman, and the establishment of the ESG Committee, the Nomination Committee undertook a review of Committee membership and considered who should be appointed as members of each Committee and who should be appointed as SID. The Nomination Committee considered the skillset of each Director, to ensure that each committee has the appropriate skillset, balance of experience and diversity and that all members have sufficient time available to devote to the committees of which they are members. This review culminated in the appointment of Georgina Harvey as SID on 1 July 2022, given her experience as RemCo chair and her engagement with shareholders in this role, and the Committee membership which is detailed on page 85.
- The RemCo comprises solely independent non-executive directors, while the ARC, which is chaired by Brian McArthur-Muscroft, comprises John Cresswell and Neelam Dhawan, all non-executive directors, and Janine Goodchild, employee non-executive director. The formal appointment of Janine to the ARC continues to demonstrate how the Group values diversity of perspective and that this is considered more important than a purely compliance-driven approach to the Code. Janine was not appointed as a member of the RemCo recognising the strong views of shareholders relating to the independence of RemCo members given the more than 20% of votes cast against the re-election of Lyndsay at the 2022 AGM, as detailed on page 76.

Except for Janine's membership of the ARC, which does not comply with provision 24 of the Code, the Company currently complies with all relevant provisions of the Code set out in sections 1 to 5.

Board changes during the year

Nneka Abulokwe and Brian McArthur-Muscroft were appointed as independent Non-Executive Directors on 1 February and 1 June 2022 respectively. Sir Ian Powell stepped down as Chairman and David Lowden was appointed as his successor on 10 May 2022. Georgina Harvey, was appointed as SID on 1 July 2022. Matthew Lester, chair of the ARC, resigned from the Board on 30 June 2022. Lyndsay Browne and Joseph Murphy non-executive employee directors resigned from the Board on 30 June 2022 having served their three-year term. Janine Goodchild was appointed Employee Non-Executive Director on 1 July 2022. Further information on Board changes is set out on page 87.

Board changes after year end

There have been no changes to the Board since 1 January 2023.

On 3 February 2023, the Company announced that John Cresswell had decided to step down from the Board with effect from 31 March 2023. John joined the Board in 2016 and has made a significant contribution during this period.

Board composition

Composition of the Board at 31 December 2022 and at the date of this report is shown in the following table.

Board composition at 31 December 2022

Executive directors	Independent non-executive directors	Employee non-executive director
Jon Lewis	David Lowden[1]	Janine Goodchild
Tim Weller	Georgina Harvey	
	Brian McArthur-Muscroft	
	John Creswell[2]	
	Neelam Dhawan	
	Nneka Abulokwe	

1. Independent on appointment in accordance with the Code.
2. On 3 February 2023, the Company announced that John Cresswell had decided to retire as a director and would step down from the Board with effect from 31 March 2023.

The Board

Role of the Board

To promote Capita's long-term sustainable success, generating value for shareholders and contributing to wider society.

Matters reserved for the Board

- Strategy and management
- Structure and capital
- Financial reporting
- Internal controls
- Major contracts
- Shareholder communication
- Board membership

Nomination Committee

- Board and committee composition
- Succession planning
- Diversity
- People strategy

Read more on page 86.

Audit and Risk Committee

- External audit
- Financial reporting
- Risk management and internal controls
- Internal audit

Read more on page 90.

Remuneration Committee

- Remuneration policy
- Remuneration principles
- Incentive design and setting of targets
- Executive and senior management remuneration

Read more on page 99.

ESG Committee

- Approval of ESG strategy
- Oversee and monitor Capita's net zero emissions strategy

Read more on page 88.

Role of the directors

Chairman

The Chairman is responsible for leadership of the Board and ensuring its effectiveness on all aspects of its role. This includes setting the Board's agenda and ensuring that adequate time is available for discussion of all agenda items, in particular strategic issues. The Chairman should also promote a culture of openness and debate, by facilitating the effective contribution of non-executive directors in particular and ensuring constructive relations between executive and non-executive directors. The Chairman is responsible for ensuring that the directors receive accurate, timely and clear information, and should ensure there is effective communication with shareholders.

Senior independent director

The SID acts as a sounding board for the Chairman on Board-related matters, chairs meetings in the absence of the Chairman, acts as an intermediary for other directors when necessary, leads the evaluation of the Chairman's performance, leads the search for a new Chair, when necessary, and is available to shareholders who wish to discuss matters which cannot be resolved otherwise.

Non-executive directors

The non-executive directors constructively challenge and help develop proposals on strategy. They scrutinise the performance of management in meeting agreed goals and objectives, and monitor the reporting of performance. They satisfy themselves on the integrity of financial information and that financial controls and systems of risk management are robust and defensible. They are responsible for determining appropriate levels of remuneration of executive directors and have a prime role in appointing and, where necessary, removing executive directors, and in succession planning.

Executive directors

The executive directors are responsible for the day-to-day running of all aspects of the Group's business. This responsibility is different from the Chairman's role in running the Board. The role of CEO is separate from that of Chairman to ensure that no one individual has unfettered powers of decision making.

Employee non-executive directors

Employee non-executive directors are appointed from the workforce to contribute an employee perspective to Board discussions. This is a key element of the Board's approach to employee engagement.

Board meetings and attendance

During 2022, the Board held seven scheduled meetings. Additional ad hoc meetings were held as required. In 2022, this included meetings to approve the disposal of Pay360 Limited and the related shareholder circular.

Attendance of the directors at Board and committee meetings is shown below; the maximum number of meetings a director could attend is in brackets.

	Board	Audit and Risk Committee	Remuneration Committee	Nomination Committee	ESG Committee
David Lowden[1]	7(7)	2(3)	1(3)	6(8)	3(3)
Jon Lewis[2]	7(7)	n/a	n/a	0(3)	n/a
Tim Weller	7(7)	n/a	n/a	n/a	n/a
Georgina Harvey	7(7)	3(3)	6(6)	8(8)	3(3)
Brian McArthur-Muscroft[4]	4(4)	4(4)	3(3)	4(4)	n/a
John Cresswell[3]	6(7)	6(6)	3(3)	8(8)	3(3)
Neelam Dhawan[3]	7(7)	5(6)	6(6)	8(8)	n/a
Nneka Abulokwe[4]	6(6)	6(6)	5(5)	7(7)	3(3)
Janine Goodchild[5]	2(3)	2(3)	n/a	n/a	2(3)
Sir Ian Powell[6]	3(3)	n/a	n/a	3(4)	n/a
Matthew Lester[7]	4(4)	3(3)	2(3)	3(5)	n/a
Lyndsay Browne[6]	4(4)	n/a	3(3)	n/a	n/a
Joseph Murphy[6]	4(4)	3(3)	n/a	n/a	n/a

1. David Lowden was a member of the ARC and RemCo, until his appointment as Chairman on 10 May 2022. He recused himself from one Nomination Committee meeting which considered the appointment of a successor to Sir Ian Powell as Chairman due to his interest in the matter. He also recused himself from one RemCo meeting which considered his remuneration as Chairman.
2. Jon Lewis was appointed as a member of the Nomination Committee on 1 July 2022. However, due to prior scheduled business commitments, he was unable to attend three meetings.
3. John Cresswell was unable to attend one Board meeting and Neelam Dhawan one committee meeting due to a prior commitment.
4. Nneka Abulokwe, Brian McArthur-Muscroft and Janine Goodchild were appointed to the Board on 1 February, 1 June and 1 July 2022 respectively.
5. Janine Goodchild was unable to attend one Board, ARC and RemCo meeting due to Capita-related and other commitments made prior to her appointment.
6. Sir Ian Powell stepped down from the Board on 10 May and Matthew Lester, Lyndsay Browne and Joseph Murphy resigned from the Board on 30 June 2022.
7. Matthew Lester was unable to attend one RemCo and two Nomination Committee meetings due to prior commitments.

Meetings held outside the normal schedule need to be flexible and are often held by telephone or videoconference.

Any director's absence from Board or committee meetings was previously agreed with the Chairman of the Board or relevant committee and the CEO. Where possible the Chairman or committee chair will contact the director who is unable to attend the meeting to obtain their comments on Board and committee papers prior to the meeting.

During 2022, the following formal director meetings took place:

- The Chairman held one-to-one individual review sessions with each executive director and each non-executive director.
- The non-executive directors met without executive directors.
- The directors met without the Chairman, led by the SID.

Board leadership

There is a clear division of responsibility between the running of the Board by David Lowden as Chairman and responsibility for the running of the Group's business by Jon Lewis as CEO.

David Lowden as Chairman has held meetings comprising solely the non-executive directors. Both David and Georgina are available to meet with significant shareholders when requested.

Governance and strategy

The Group recognises the contribution made by good governance to the Company's success, and changes made at both Board and Executive Committee level demonstrate the importance of embedding the right structures with the right people to deliver the Group's strategy. The connection between governance and delivery of strategy is reflected throughout this Annual Report.

In addition to their statutory duties, the directors must ensure that the Board focuses effectively on all its accountabilities.

Section 172 of the Companies Act 2006 requires directors to act in a way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of shareholders as a whole. In doing so, the directors must have regard (among other matters) to:

- the likely consequences of any decision in the long term
- the interests of the Company's employees
- the need to foster business relationships with suppliers, clients and others
- the impact of the Company's operations on the community and the environment
- the desirability of the Company maintaining a reputation for high standards of business conduct
- the need to act fairly towards all shareholders of the Company.

The Board determines the strategic objectives and policies of the Group to best support the delivery of long-term value, providing overall strategic direction within an appropriate framework of rewards, incentives and controls. The Board is collectively responsible for the success of the Company and directors' roles are set out above. Following presentations by executive and divisional management, and a disciplined process of review and challenge by the Board, clear decisions on policy or strategy are adopted, and the executive management are fully empowered to implement those decisions.

Stakeholder interests and the matters listed above are factored into all Board discussions and decisions. For more information, please refer to the stakeholder engagement section on pages 47 and 48.

Board independence

Non-executive directors are required to be independent in character and judgement. All relationships that may interfere materially with this judgement are disclosed as required under the conflicts of interest policy, see page 77. The Board has determined that, except for the employee non-executive directors, all the non-executive directors who served during the year were independent and that, before and upon appointment as Chairman, David Lowden met the criteria of independence as outlined in the Code.

Board composition is a deliberate balance of newer and longer-standing members, and reflects the ongoing review and refreshment of Board membership to ensure a balance of skills and experience appropriate for the broad nature of Capita's businesses. The experience and breadth of tenure of the non-executive directors means the Board is well positioned to advise, challenge and support executive management as the Group progresses its growth strategy.

The Board believes that each of the non-executives has retained independence of character and judgement and has not formed associations with management or others that may compromise their ability to exercise independent judgement or act in the best interests of the Group. The Board is satisfied that no conflict of interest for any director requires disclosure, see page 77.

Matters reserved for the Board

A formal schedule of matters reserved for the Board has been adopted and these include, but are not limited to:

- **Strategy and management**, including responsibility for the overall leadership of the Group, setting the Group's purpose, values and strategy, and monitoring alignment with culture.
- **Structure and capital**, including changes relating to the Group's capital structure and major changes to the Group's corporate structure, including acquisitions and disposals, and changes to the Group's management and control structure.
- **Financial reporting**, including the approval of the Annual Report, half-yearly report, trading statements, preliminary announcement for the final results and dividend, treasury and accounting policies.
- **Internal controls**, ensuring that the Group manages risk effectively by approving its risk appetite and monitoring aggregate risk exposures.
- **Contracts**, including approval of all major capital projects and major investments.
- **Ensuring satisfactory communication** with shareholders.
- **Board membership and other appointments**, including changes to the structure, size and composition of the Board, and succession planning for the Board and senior management.

Board of directors' induction and training

Following appointment to the Board, all new directors receive an induction tailored to their individual requirements. They are encouraged to meet and be briefed on the roles of key people across the Group and have open access to all business areas and employees to build up an appropriate level of knowledge of the business that extends beyond formal papers and presentations to the Board. All directors have received an appropriate induction for their roles within Capita, including some or all of the following:

- The nature of the Group, its business, markets and relationships.
- Meetings with the external auditor, lawyers, brokers and relevant operational and functional senior management.
- Board procedures, including meeting protocols, committee activities and terms of reference, and matters reserved for the Board.
- Overviews of the business via monthly performance review reports.
- The Group approach to risk management.

Ongoing training and briefings are also given to all directors, including external courses as required.

Tailored induction programmes were prepared for Nneka Abulokwe, Brian McArthur-Muscroft and Janine Goodchild to ensure they were properly equipped to fulfil their roles.

Company Secretary

All Board members have access to independent advice on any matters relating to their responsibilities as directors and as members of the various committees of the Board at the Group's expense. The previously separate roles of Chief General Counsel and Group Company Secretary were combined in the appointment of Claire Denton as Chief General Counsel and Group Company Secretary on 1 March 2022. Claire is available to all directors and is responsible for ensuring that all Board procedures are complied with. Claire has direct access and responsibility to the chairs of the standing committees and open access to all directors, and has been appointed as Secretary to the Audit and Risk, Remuneration, Nomination and ESG committees.

Claire will meet regularly with the Chairman of the Board and the Chairs of the ARC and RemCo, and brief them on areas of governance and committee requirements.

Shareholder engagement

There is an active engagement programme with the Company's investors. The executive directors meet regularly with institutional investors to discuss and obtain feedback on the business, performance, strategy and corporate governance, and address any issues of concern. This is undertaken through a combination of roadshows, group or one-to-one meetings and attendance at investor conferences. David Lowden also met with existing institutional shareholders both prior to and following his appointment as Chairman on 10 May 2022.

Georgina Harvey, Chair of the RemCo, engaged with shareholders to discuss remuneration prior to the 2022 AGM. The investor relations team has day-to-day responsibility for managing investor communications and always acts in close consultation with the Board. All members of the Board, including the non-executive directors, receive a report on any significant discussions with shareholders and anonymous feedback that follows the annual and half-yearly presentations to investment analysts and institutional investors. Analyst reports concerning Capita are circulated to the directors and the Board is kept informed of changes in the share register.

Principal decisions

Principal decision*	Impact on long-term sustainable success	Stakeholder considerations	Further details
Disposal of Pay360 Limited: following a strategic review the Board decided to dispose of its Pay360 payments solutions business, a non-core business. The disposal of Pay360 required shareholder approval which was sought at a general meeting held on 1 November 2022.	**Strategy**: the disposal of Pay360 was expected to allow the Company to strengthen its balance sheet by reducing its indebtedness, improve the Group's liquidity and pension funding position and support the Group's strategy to build a more focused sustainable business for the long term. **Principal risks**: the strengthening of the Group's balance sheet as a result of the disposal has assisted in reducing two of Capita's principal risks: (i) to execute its medium-term strategy; and (ii) maintain financial stability.	**Our people, customers and suppliers:** the strengthening of the Group's balance sheet has supported the Group's strategy to build a more focused sustainable future providing more stability for our colleagues, customers and suppliers. **Investors:** the disposal of Pay360, a non-core business, has contributed to the ability of the Group to focus on its core business and to progress its growth strategy by strengthening the balance sheet and improving liquidity. The Company believes that this will improve the prospects of the Company and will benefit shareholders. Shareholders voted 99.99% in favour of the disposal of Pay360 at the general meeting held on 1 November 2022.	pages 30 and 171.
Appointment of David Lowden as Chairman	**Governance:** the chairman is critical in ensuring the effectiveness of the board in all aspects of its role. **Principal risks:** the appointment of a chairman with the appropriate skills and attributes is essential to the delivery of our strategy.	**All of our stakeholders:** all of our stakeholders have an interest in the delivery of our strategy and the way it is delivered. David Lowden, Chairman has a critical role in ensuring that our strategy is delivered in line with our purpose and values.	Nomination Committee report on page 87.
Establishment of Board ESG Committee	**Strategy:** to provide additional and strategic focus on ESG matters. **Principal risks:** the ESG Committee will have an increased focus on people, attraction and retention, culture, wellbeing, health and safety, and climate change.	**Our people, customers, suppliers, investors:** all of our stakeholders are concerned by the issues that will receive increased focus by the ESG Committee on behalf of the Board.	ESG Committee report on pages 88 and 89.

* Principal decisions are those that are material to the Group and/or significant to any of our key stakeholder groups.

Shareholder meetings

Shareholders are encouraged to attend the AGM. However, given the situation with the Covid-19 pandemic at the beginning of 2022, the Company understood that many shareholders would not wish to attend the 2022 AGM in person. Consequently, the 2022 AGM was held as a combined physical and electronic meeting.

It is intended that the 2023 annual general meeting will be held as a physical meeting only and the Board looks forward to meeting and welcoming shareholders to the meeting. Directors, including chairs of the various committees, are expected to be present at the 2023 AGM, and will be available to meet with shareholders and answer any questions.

The Chairman and SID are normally available to meet with Capita's significant shareholders.

2022 voting outcome

At our 2022 AGM, the Board was again pleased that the majority of resolutions were passed with a high level of support from shareholders. The Board has considered the votes against resolution 11 the re-election of Lyndsay Browne (24.36%). Lyndsay was appointed as an employee non-executive director in July 2019 and was a member of the RemCo. As an employee non-executive director Lyndsay was not considered independent. In order to better understand the reasons for these votes against, the Board contacted shareholders who voted against this resolution and considered the views of proxy voting agencies as to voting recommendations (where these had been made available to the Company).

In addition, following the establishment of a Board ESG Committee in June 2022, the Board reviewed the membership of all committees to ensure that each committee has the appropriate skillset, balance of experience and diversity and that all members have sufficient time available to devote to the committees of which they are members.

Lyndsay resigned as an employee non-executive director on 30 June 2022, having served her three-year term. Recognising shareholders' views with regards to independence, Janice Goodchild who was appointed as an employee non-executive director on 1 July 2022, was not appointed as a member of the RemCo. However the Board continues to believe in the importance of bringing the contributions of its employees into committee meetings and considers that the value of the employee perspective brought by Lyndsay was of considerable value to this committee. Consequently, Janine may be invited, at the discretion of the RemCo Chair, to attend meetings and contribute to discussions.

Shareholder communications

In addition to the AGM, shareholders can access up-to-date information through the Group's website at www.capita.com. Shareholders can also view their holdings by using the Signal shares shareholder portal, a service offered by Link Group, the Group's registrar, at www.capitashares.co.uk. The Signal shares portal is an online service enabling shareholders to quickly and easily access and maintain their shareholding online. Shareholders can also contact Link by email at shareholderenquiries@linkgroup.co.uk. Link also provides a telephone helpline, 0371 664 0300, calls are charged at the standard geographic rate and will vary by provider. Calls outside the UK will be charged at the applicable international rate. Lines are open between 9.00am and 5.30pm, Monday to Friday, excluding public holidays in England and Wales.

Business relationships

Details regarding relationships with suppliers, clients and others, together with further cross references, are provided in the engaging with stakeholders section on pages 47 and 48.

Remuneration Committee

Details of the RemCo and its activities are given in the directors' remuneration report on pages 99 to 122.

Risk management and internal control

The Board monitors the Company's risk management and internal control systems and carries out an annual review of their effectiveness. The ARC report contains further details. The monitoring and review includes all material controls, including financial, operational and compliance controls. This process is regularly reviewed by the Board. The Group's key internal control procedures are fully documented within the strategic report on pages 54 to 56.

Furthermore, through the operation of the risk governance process, the directors confirm, for the purposes of provision 28 of the Code, that they have carried out a robust assessment of the emerging and principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity. A description of those principal risks, what procedures are in place to identify emerging risks, and an explanation of how these are being managed or mitigated, is set out on pages 54 to 63.

Other statutory and regulatory information

Strategic report

The Company is required to prepare a fair review of the business of the Group during the financial year ended 31 December 2022 and of the position of the Group at the end of the financial year, and a description of the principal risks and uncertainties facing the Group (known as a strategic report).

The purpose of the strategic report is to enable shareholders to assess how the directors have performed their duty under section 172 of the Companies Act 2006 (duty to promote the success of the Company). The information that fulfils the requirements of the strategic report can be found on pages 1 to 64. Details of the Group's business goals, strategy and business model are on pages 2 to 7.

Corporate governance report
The corporate governance statement as required by Rule 7.2.1 of the Financial Conduct Authority's Disclosure Guidance and Transparency Rules (DTRs) is set out on pages 71 to 84.

Management report
For the purposes of Rule 4.1.5R(2) and Rule 4.1.8R of the DTRs, this directors' report and the strategic report on pages 1 to 64 comprise the management report.

Post-balance sheet events
The following events occurred after 31 December 2022, and before the approval of these consolidated financial statements, but have not resulted in adjustment to the 2022 financial results:

Committed bridge facility
In February 2023, the Group entered into a committed bridge facility of £50m with three of its relationship banks providing additional liquidity from 1 January 2024. The committed bridge facility has an expiry date of 31 December 2024 and is subject to covenants, which are the same as those in the revolving credit facility (RCF). Both the RCF and the £50m bridge facility incorporate provisions such that they will partially reduce in quantum as a consequence of specified transactions including disposals, equity-raises or other refinancing.

Election to apply FRS 101 – reduced disclosure framework
The Parent Company continues to apply UK GAAP in the preparation of its individual financial statements in accordance with FRS 101 and these are contained in section 7 of the financial statements on pages 215 to 227. FRS 101 applies IFRS as adopted by the UK with certain disclosure exemptions. No objections have been received from shareholders.

Appointment, reappointment and removal of directors
Directors are appointed and may be removed in accordance with the Articles of Association (Articles) of the Company and the provisions of the Companies Act 2006. All directors are subject to election at the first AGM after their appointment and, in accordance with Provision 18 of the Code, to annual re-election thereafter. A resolution to elect or re-elect each director will therefore be proposed at the AGM on 11 May 2023.

No person, other than a director retiring at the meeting, shall be appointed or reappointed a director of the Company at any general meeting unless they are recommended by the directors.

No person, other than a director retiring at a general meeting as set out above, shall be appointed or reappointed unless between seven and 35 days' notice, executed by a member qualified to vote on the appointment or reappointment, has been given to the Company of the intention to propose that person for appointment or reappointment, together with notice executed by that person of his/her willingness to be appointed or reappointed.

Group activities
Capita is a purpose-led and responsible business which exists to create better outcomes for all its stakeholders. Our strategy is to simplify and strengthen in order to succeed. Capita's business model is based upon being a leading provider of business process services driven by data, technology and people. We deliver innovative solutions to simplify the connections between businesses and customers, and between government and citizens. We partner with clients to transform their businesses and services. A review of the development of the Group and its business activities during the year is contained in the strategic report on pages 1 to 64. The operational and financial performance of its divisions are detailed on pages 16 to 25.

Results and dividends
The Group's reported profit before tax amounted to £61.4m from continued operations (2021: £285.6m). As previously announced, the directors do not recommend the payment of a final dividend (2021: nil). The total dividend for the year was nil (2021: nil). The employee benefit trust, which holds shares for the purpose of satisfying employee share scheme awards, has waived its right to receive future dividends on shares held within the trust.

Conflicts of interest
Under the Companies Act 2006, directors are under an obligation to avoid situations in which their interests can or do conflict, or may possibly conflict, with those of the Company. A policy and procedures are in place for identifying, disclosing, evaluating and managing conflicts so that Board decisions are not compromised by a conflicted director. The Company's Articles give the Board power to authorise matters that give rise to actual or potential conflicts. Procedures are reviewed annually to ensure they are operating effectively.

All conflicts of interest are reviewed annually by the Board and included in year-end attestations by the directors. None of the directors of the Company has a material interest in any contract with the Company or its subsidiary undertakings, other than their contracts of employment.

Major shareholders

At 31 December 2022, the Company had received notifications in accordance with the DTRs that the following were interested in the Company's shares:

Shareholder	Number of shares	% of voting rights at 31 December 2022	Number of shares direct	Number of shares indirect
Schroders plc	321,365,363	19.08	–	321,365,363
RWC Asset Management LLP	286,449,316	17.01	286,449,316	–
Marathon Asset MGMT Limited	126,900,867	7.53	–	126,900,867
Veritas Asset Management LLP[1]	83,131,892	4.98	–	83,131,892
BlackRock Inc.	74,230,358	4.45	–	74,230,358
Invesco Ltd	70,883,236	4.24	–	70,883,236
Vanguard Group Inc.	64,670,000	3.84	64,670,000	–
Veritas Funds PLC	55,009,900	3.30	–	55,009,900
Jupiter Asset Management Limited	53,573,060	3.21	–	53,573,060
Odey Asset Management LLP	51,459,613	3.05	51,459,613	–

1. Includes the holding of Veritas Funds PLC.

On 10 January 2023, notification in accordance with the DTRs was received from RWC Asset Management LLP that it held directly 286,050,563 shares, being 16.98% of voting rights. At 24 February 2023, no further notifications had been received under the DTRs in relation to interests in the Company's shares.

Directors' interests

Details of directors' interests in the share capital of the Company are listed on page 117.

Share capital

At 24 February 2023, the number of ordinary shares of 2 1⁄15 p each in issue, fully paid up and quoted on the London Stock Exchange is detailed in the table below:

	Number of shares	% of issued share capital
Issued shares	1,684,273,523	100%
Treasury shares	0	0%
Total voting rights	1,684,273,523	100%
Employee Benefit Trust (EBT) shares[1]	9,263,250	0.55%

1. Shares held in the Employee Benefit Trust are used for satisfying employee share options.

During the year ended 31 December 2022, no new ordinary shares were issued, and options exercised pursuant to the Company's share schemes were satisfied by the transfer of shares the EBT (8,770,217 shares). No new ordinary shares have been allotted under the Company's share option schemes since the end of the financial year to the date of this report. 37,102 shares have been allotted under the Company's share option schemes since the end of the financial year to the date of this report.

The share price at 31 December 2022 was 24.26p. The highest share price in the year was 38.94p and the lowest was 19.89p.

The Company renewed its authority to repurchase up to 10% of its own issued share capital at the AGM in May 2022. During the year, the Company did not purchase any shares (2021: nil).

Viability statement

This statement is detailed in full on page 64. The directors have assessed the viability of the Group over the three-year period to 31 December 2025, taking into account the Group's current position and the potential impact of the principal risks set out in the strategic report. Based on this assessment, the directors have a reasonable expectation that the Group and Parent Company will be able to continue in operation and meet their liabilities as they fall due over the period of the viability assessment.

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the strategic report on pages 1 to 64. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described on pages 26 to 32. In addition, section 4 in the financial statements on pages 188 to 202 includes the Group's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and hedging activities, and its exposures to credit risk and liquidity risk.

In determining the appropriate basis of preparation of the financial statements for the year ending 31 December 2022, the directors are required to consider whether the Group can continue in operational existence for the foreseeable future, being a period of at least 12 months from the date of approval of the financial statements.

The Board monitors closely the Group's funding position throughout the year, including monitoring compliance with covenants and available facilities to ensure it has sufficient headroom to fund operations. In addition, to support the going concern assumption, the Board conducts a robust assessment of the Group's financial projections for the foreseeable future, considering also the committed facilities available to the Group. The Board has considered risks to the projections under a severe but plausible downside. This includes adverse impacts arising from: revenue growth falling materially short of plan; operating profit margin expansion not being achieved; additional inflationary cost impacts which cannot be passed on to customers; unforeseen operational issues leading to contract losses and cash outflows, increased interest rates, reduction in deferred cash consideration in respect of completed disposals; non-availability of the Group's non-recourse receivables financing facility; and unexpected financial costs and penalties linked to incidents such as data breaches and/or cyber attacks.

To mitigate these, the Board has considered the mitigations, under the direct control of the Group, that could be implemented to address the financial impact should these risks materialise. These mitigations include reductions in capital expenditure, materially reducing and/or removing in full bonus and incentive payments and significantly reducing discretionary spend. Taking these mitigations into account, the Group's financial forecasts over the going concern period demonstrate liquidity headroom and compliance with all covenant measures throughout the going concern period to 31 August 2024.

Therefore, after careful consideration and reflecting also the Board's confidence in the expected benefits from the completion of the transformation, and its ability to implement the above mitigations should the severe but plausible downside materialise, coupled with the potential to obtain further financing beyond its existing committed funding facilities, the Board has concluded that the Group and Parent Company will continue to have adequate financial resources to discharge their liabilities as they fall due over the going concern assessment period.

Accordingly, the directors have formed the judgement that it is appropriate to prepare the consolidated financial statements on the going concern basis. The Board's assessment is set out in more detail in Section 1 of the consolidated financial statements.

Auditor review

The auditor has reviewed:

- the statements regarding going concern, see page 78;
- the longer-term viability statement, see page 64; and
- those parts of the statement of compliance with the Code relating to:
  - directors' and auditor's responsibilities
  - the 'fair, balanced and understandable' statement
  - confirmation of robust risk assessment, and monitoring and review of effectiveness of risk management and internal control systems
  - ARC composition, role and responsibilities.

Further details are in the auditor's report, on pages 124 to 141.

Disabled persons

As part of the Group's commitment to create a workplace that fully reflects the diversity of the communities we serve, and a working environment in which no one feels excluded, full consideration is given to all suitable applications for employment regardless of a candidate's disability, age, gender, religion or belief, sexual orientation or race. Colleagues who declare a disability are supported with reasonable adjustments made throughout the hiring process, the workplace or job content so no opportunity, including training and career development, is inaccessible. Opportunities also exist for employees of the Group who become disabled to continue in their employment with any reasonable adjustments being made or to be retrained for other positions in the Group. Demonstrating our commitment to ensure that both applicants and colleagues with disabilities and those with long-term health conditions have the opportunity to fulfil their potential and realise their aspirations, the Group became a Disability Confident Employer Level 2, in April 2022. We are currently finalising plans to achieve Level 3 status in 2023.

Employee development and engagement

Actions taken during the year regarding the consultation of and provision of information to UK employees are described in the people section on pages 33 to 36. Communication with employees in relation to Capita's financial performance is detailed in the remuneration report on page 103.

Capita has an established UK employee share purchase plan designed to promote employee share ownership and to give employees the opportunity to participate in the future success of the Company. An international share incentive plan is available to employees in Ireland.

Further information on employee development, consultation and engagement is included in the people and responsible business sections on pages 33 to 36 and 37 to 45 and the stakeholder engagement section on pages 47 and 48.

Political donations

The Group did not make any political donations or incur any political expenditure during the year (2021: nil).

Greenhouse gas emissions

Details of the Group's greenhouse gas (GHG) emissions, including metrics and methodology, are set out in the table on page 80 and on page 43 of the strategic report.

GHG emissions (tCO_2e) and energy use (kWh) for period 1 January 2022 to 31 December 2022

Period	Data source	Current reporting year 2022			Comparison reporting year 2021			Comparison reporting year 2020		
Region		UK and offshore	Global (excluding UK and offshore)	Total	UK and offshore	Global (excluding UK and offshore)	Total	UK and offshore	Global (excluding UK and offshore)	Total
Energy used to calculate emissions (kWh)										
Gas and fuel	Energy Bureau, UK est energy, FSC burn, int. est energy, Capita Europe	58,561,431	2,443,394	**61,004,825**	65,139,586	1,726,618	**66,866,204**	73,668,847	1,871,964	**75,540,811**
Electricity & district heat		65,813,485	15,405,065	**81,218,550**	93,211,777	26,513,142	**119,724,918**	81,491,440	16,112,463	**97,603,902**
Business travel, cars	SAP expenses	12,211,032	3,836,579	**16,047,610**	12,502,976	2,271,999	**14,774,974**	46,912,511	3,351,543	**50,264,055**
Total energy used (kWh)		136,585,947	21,685,038	**158,270,986**	170,854,338	30,511,758	**201,366,097**	202,072,798	21,335,969	**223,408,768**
% of total energy used		86%	14%	**100%**	85%	15%	**100%**	90%	10%	**100%**
Emissions from combustion of gas and fuel for heating tCO_2e (Scope 1)	Energy Bureau, Capita Europe	9,281	405	**9,686**	11,620	320	**11,941**	15,594	592	**16,186**
Emissions from combustion of fuel in company vehicles tCO_2e (Scope 1)	Fleet, FSC, fleet Germany, India, South Africa	1,851	67	**1,918**	1,845	71	**1,916**	1,695	86	**1,782**
Emissions from fugitive refrigerant gas tCO_2e (Scope 1)	Fugitive refrigerant gas	445	0	**445**	1,466	0	**1,466**	1,011	0	**1,011**
Emissions from purchased district heat tCO_2e (Scope 2)	Energy Bureau, Capita Europe	34	264	**298**	40	157	**198**	45	136.60	**181**
Emissions from purchased electricity (location based) tCO_2e (Scope 2)	Energy Bureau, UK est energy, int. est energy, Capita Europe, South Africa, India	12,827	8,012	**20,839**	23,891	6,853	**30,744**	18,938.58	9,239.43	**28,178**
Emissions from purchased electricity (market based) tCO_2e (Scope 2)	Energy Bureau	2,247	1,836	**4,083**	10,328	8,132	**18,460**	12,513	11,009	**23,522**
Emissions from business mileage, air, rail, tube tram and light rail, taxi, bus, coach, ferry, hotel, waste. tCO_2e (Scope 3)	SAP, Agiito	4,857	1,244	**6,101**	3,860	640	**4,500**	6,829	1,052	**7,881**
Total gross tCO_2e Scope 1 and 2 (location based)		24,438	8,748	**33,186**	38,863	7,401	**46,264**	37,284	10,055	**47,338**
Total gross tCO_2e emissions (location based)		29,294	9,992	**39,287**	42,722	8,042	**50,763.93**	44,113	11,107	**55,220**
Total gross tCO_2e emissions (market based)		18,680	3,552	**22,233**	29,119	9,163	**38,282.35**	37,643	12,740	**50,383**
Intensity ratio: gross Scope 1 and 2 tCO_2e (location based) per £1M turnover		8.1	2.9	**11.0**	10.0	2.3	**12.3**	11.2	3.0	**14.2**
Intensity ratio: gross Scope 1 and 2 tCO_2e (location based) per headcount		0.77	0.48	**0.66**	0.91	0.39	**0.73**	1.01	0.54	**0.85**

Methodology: Carbon emissions have been calculated following the GHG protocol using the operational control approach. Estimated energy figures have been used for buildings where direct meter data is not available, using Cibse guide F benchmarks (or previous years' consumption outside UK if available). Any fuel figures provided in litres have been converted into kWh or tCO_2e using Gov.UK and Defra conversion tables. Mileage provided has been converted into tCO_2e using Defra conversions for the relevant engine size and fuel type. kWh figures for air, rail, taxi and other public transport have been omitted as not practical to convert from passenger km or passenger fares but CO_2e emissions have been calculated using Defra conversion factors.

Scope 1, Scope 2 and Scope 3 business travel are verified to ISAE 3000 by Corporate Citizenship in each year.

Energy efficiency action 2022

We invested in energy-efficiency measures across our estate in 2022 to deliver savings below.

Building plant upgrades and initiatives	tCO_2e reduction per annum
Replacement LED lighting	5.6
Replacement chillers and air conditioning units	70.1
Motor speed drives (VSD)	5.0
Upgraded building management controls	49.5
Lift motor drive and controls	5.9
Replacement heating plant	48.9
Total tCO_2e reduction	185.1

Our virtual meetings initiative resulted in further reductions in business travel CO_2. Post pandemic, travel emissions began to climb in 2022 but remained significantly below our short-term SBTi target for 2030. We have set a 2035 net zero target to augment our short term 1.5°C science based targets for greenhouse gas reduction. This target covers our full value chain and has been verified by SBTi. In 2022 we set net zero targets for functions and divisions, linked to incentive plans, to drive progress against our net zero milestones and plan. Capita reached the CDP 'A' list for the first time in 2022.

Financial instruments

The main financial risks the Group is exposed to are: insufficient liquidity; significant increases in interest rates; adverse movements in foreign exchange rates; and the insolvency of debtors (credit risk). The management of each, and the related financial instruments, are described below.

Liquidity remains a key area of focus. The Group monitors the risk of a liquidity shortage through its business plan and liquidity cycle forecasts and analysis, taking into consideration the maturity of both the Group's financial instruments and the forecast cash flows from operations.

The Group does not rely on sources of funding that are not contractually committed. Its policy is to hold cash and undrawn committed facilities at a level sufficient to fund the Group's operations and its medium-term plans, and to maintain a balance between continuity of funding and flexibility through the use or availability of multiple sources of funding.

The Group's committed bank facilities provide liquidity for the cash fluctuations of the business cycle and an allowance for contingencies. At 31 December 2022 the RCF commitment was £288.4m (£385.7m at 31 December 2021) and was subsequently reduced to £284.7m on 4 January 2023 following receipt of proceeds from disposals.

The size of the available commitment will be right-sized each time the Group either refinances, raises funds through disposals, or raises equity with the RCF including mandatory cancellation mechanisms that determine the amount of the cancellation in each case. The commitments are subject to a minimum value of £180m regardless of the quantum of receipts.

The RCF expires on 31 August 2024 and was undrawn at 31 December 2022 (31 December 2021: £40m drawn).

US private placement loan notes and euro fixed-rate bearer notes (private placement loan notes) provide the Group's core funding, and to mitigate the risk of needing to refinance in challenging conditions, these have been arranged with a spread of maturities to November 2027. The bank facilities and private placement loan notes all include provisions that would require repayment in the event of a change of control, which are typical of these arrangements.

Finally, certain property and assets used in the Group's operations are funded by lease arrangements. From time to time, the Group may act as lessor to third parties.

Various other financial instruments, such as trade debtors and trade creditors, arise directly from the Group's operations. In respect of trade creditors, the Group's standard supplier payment terms are to pay micro-businesses (less than 50 employees) within 14 days, SMEs (less than 250 employees) within 30 days, and larger organisations within 60 days. The Group aims to pay its suppliers on time in accordance with agreed contractual terms.

The Group's customers are offered credit terms that are consistent with market practice. The Group uses a non-recourse invoice discounting facility to mitigate the risk of late customer payment and to provide working capital funding at an economically favourable rate versus the RCF. The value of invoices sold under the arrangement at 31 December 2022 was £36.9m (2021: £3.9m). In addition, the Group's German business uses an invoice discounting arrangement relating to a specific customer contract, and the value of invoices sold under that arrangement at 31 December 2022 was £7.5m (2021: £12.5m).

As set out in note 6.2 (contingent liabilities), the Group has provided, through the normal course of its business, £34m letters of credit, performance bonds and guarantees (2021: £28.7m). £12.5m of these were issued by our banks and, within this group, some are subject to security terms where the bank can demand cash collateral in the event the guarantee facility is cancelled.

Exposure to movements in interest rates and foreign exchange rates arise through the Group's operations and where financial instruments are transacted at floating rates of interest or in non-operational currencies. These exposures are managed through derivative transactions, primarily cross-currency interest rate swaps and forward foreign exchange contracts.

The Group is not generally exposed to significant foreign currency transaction risk. The principal exceptions relate to service delivery based in India and South Africa, and committed costs relating to the purchase of cloud software services in USD. These exposures are managed through forward foreign exchange contracts, including non-deliverable forward contracts, which fix the GBP cost of highly probable forecast transactions denominated in INR, ZAR and USD. Further details of the Group's financial instruments can be found in note 4.5 to the consolidated financial statements on pages 196 to 201.

In respect of credit risk, the Group trades only with parties that are expected to be creditworthy. It is the Group's policy that all clients who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debt is not significant. Credit risk also arises from financial assets such as cash, deposits and the mark-to-market value of derivative instruments where positive. The risk of default is managed by limits on the exposure to any counterparty, and with reference to the public ratings of each.

Directors' indemnities

As permitted by its Articles, the Company has indemnified each director in respect of certain liabilities and costs they might incur in the execution of their duties as a director. Qualifying third-party indemnity provisions (as defined in section 234 of the Companies Act 2006) were in force during the year and continue to remain in force. The directors' indemnities will be available for inspection at the AGM together with directors' service contracts.

Powers of directors

The business of the Company is managed by the directors who are subject to the provisions of the Companies Act 2006, the Articles of the Company and any directions given by special resolution, including the Company's power to repurchase its own shares.

The Company's Articles may only be amended by a special resolution of the Company's shareholders.

Change of control

All the Company's share schemes contain provisions in relation to a change of control. Outstanding options and awards would normally vest and become exercisable on a change of control, subject to the satisfaction of any performance conditions at that time.

Capita has borrowing facilities provided by banks and has issued loan notes to financial investors. The borrowing facilities contain change of control provisions under which the banks may require immediate repayment in full on a change of control of Capita plc. The loan notes issued by Capita contain similar change of control provisions which are likely to require the Group to offer to prepay the notes in full if there is a change in control of Capita plc.

There are a number of significant client agreements which contain provisions relating to change of control, which in some cases could present a right of termination of the contract.

Rights and restrictions attaching to shares

Under the Company's Articles, holders of ordinary shares are entitled to participate in the receipt of dividends pro rata to their holding. The Board may propose and pay an interim dividend and recommend a final dividend in respect of any accounting period out of the profits available for distribution under English law. A final dividend may be declared by the shareholders in general meeting by ordinary resolution, but no dividend may be declared in excess of the amount recommended by the Board.

At any general meeting, a resolution put to vote shall be decided on a poll, and every member who is present in person or by proxy shall have one vote for every share of which they are the holder.

No person holds securities in the Company carrying special rights with regard to control of the Company. The Company is not aware of any agreements between holders of securities that may result in restrictions on the transfer of securities or on voting rights.

Restrictions on transfer of shares

The Company's Articles allow directors to, in their absolute discretion, refuse to register the transfer of a share in certificated form unless the instrument of transfer is lodged, duly stamped, at the registered office of the Company, or at such other place as the directors may appoint and (except in the case of a transfer by a recognised person where a certificate has not been issued in respect of the share) is accompanied by the certificate for the share to which it relates and such other evidence as the directors may reasonably require to show the right of the transferor to make the transfer. They may also refuse to register any such transfer where it is in favour of more than four transferees or in respect of more than one class of shares.

The directors may refuse to register a transfer of a share in uncertificated form in any case where the Company is entitled to refuse (or is exempted from the requirement) under the Uncertificated Securities Regulations to register the transfer.

Annual general meeting

The 2023 AGM of the Company will be held at 65 Gresham Street, London, EC2V 7NQ on 11 May 2023. Details of the meeting format and the resolutions to be proposed are set out in the Notice of Meeting, which is sent to shareholders with the 2022 Annual Report and includes notes explaining the business to be transacted. The Notice of Meeting is also available on the Company's website at www.capita.com.

In May 2022, shareholders granted authority for the Company to purchase up to 168,427,352 ordinary shares. This authority will expire at the conclusion of the 2023 AGM. No shares were purchased during 2022. A resolution to renew this authority will be put to shareholders at the 2023 AGM.

The directors consider that each of the resolutions is in the best interests of the Company and the shareholders as a whole, and recommend that shareholders vote in favour of all of the resolutions.

For other general meetings the notice given would be 14 clear working days.

Cross-references
For the purposes of LR 9.8.4R, the following information is located as set out below:

Listing Rule	Subject	Page no.
9.8.4 (1)	Capitalisation of interest	196
9.8.4 (12–13)	Shareholder waiver of dividends	77

Directors' responsibilities in respect of the Annual Report and the financial statements

The directors are responsible for preparing the Annual Report and the Group and Parent Company financial statements, in accordance with applicable law and regulations.

Company law requires the directors to prepare Group and Parent Company financial statements for each financial year. Under that law they are required to prepare the Group financial statements in accordance with UK-adopted international financial reporting standards (IFRSs) and the Disclosure Guidance and Transparency Rules of the UK's Financial Conduct Authority, and have elected to prepare the Parent Company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice) including FRS 101 Reduced Disclosure Framework.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Parent Company and of their profit or loss for that period. In preparing each of the Group and Parent Company financial statements, the directors are required to:

- Select suitable accounting policies and then apply them consistently.
- Make judgements and estimates that are reasonable and prudent.
- State, for the Group financial statements, whether they have been prepared in accordance with UK-adopted IFRSs.
- State, for the Parent Company financial statements, whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Parent Company financial statements.
- Assess the Group and Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern.
- Use the going concern basis of accounting unless they intend either to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the directors are also responsible for preparing a strategic report, directors' report, directors' remuneration report and corporate governance statement that comply with that law and those regulations.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors’ responsibility statement

We, the directors of the Company, confirm that to the best of our knowledge:

- The financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position, and profit or loss of the Company and the undertakings included in the consolidation taken as a whole.
- The strategic report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.
- The Annual Report and Accounts, taken as whole, are fair, balanced and understandable, and provide the information necessary for shareholders to assess the Company’s position and performance, business model and strategy.

The directors’ report on pages 1 to 122 has been approved by the Board.

On behalf of the Board.

Claire Denton
Chief General Counsel and Company Secretary
2 March 2023
Capita plc
Registered in England and Wales No. 2081330

Committees

Terms of reference

The terms of reference of the Nomination, Remuneration and Audit and Risk committees were reviewed in June 2022 upon the establishment of the ESG Committee, to ensure that relevant matters are now considered by the ESG Committee, when appropriate matters are considered in conjunction with other committees.

Committee terms of reference were also reviewed in December 2022 to reflect updates in good governance practices. These are summarised below and the Nomination, Remuneration, Audit and Risk and ESG committee terms of reference are displayed in full in the investor centre at www.capita.com/investors/corporate-governance, together with a summary of matters reserved for the Board.

Terms of reference	Brief description of responsibilities
Nomination Committee	• Reviews composition of the Board. • Recommends appointment of new directors. • Ensures plans are in place for orderly succession to both the Board and senior management positions. • Oversees development of diverse pipeline for succession.
Audit and Risk Committee	• Reviews accounting policies and contents of financial reports. • Monitors internal control environment. • Considers adequacy, effectiveness and scope of external and internal audit programme. • Oversees relationship with external auditor. • Monitors risk profile and obtains assurance that principal risks have been properly identified and appropriately managed.
Remuneration Committee	• Sets policy for Board and senior management remuneration. • Approves individual remuneration awards. • Agrees changes to senior executive incentive plans.
ESG Committee	• Oversees the development of the Group's ESG strategy, monitoring its performance in relation to ESG matters. • Considers the adequacy of the Group's ESG policies and processes. • Oversees and monitors the Group's progress against its net zero emissions strategy. • Oversees and supports stakeholder engagement on ESG matters.
Disclosure Committee	• Responsible for the appropriate identification and management of inside information, including any decision to delay public disclosure.

Membership

Membership of the Company's standing committees at 31 December 2022 is shown below:

	Nomination	Audit and Risk	Remuneration	ESG
David Lowden	C	–	–	C
Jon Lewis	X	–	–	–
Georgina Harvey	X	–	C	X
Brian McArthur-Muscroft	X	C	X	
John Cresswell	X	X	–	X
Neelam Dhawan	X	X	X	
Nneka Abulokwe	X	–	X	X
Janine Goodchild	–	X	–	X

(C) Chair

Changes to Committee membership

Following the establishment of the ESG Committee on 30 June 2022, the Nomination Committee reviewed the membership of the Company's standing committees on behalf of the Board to ensure that each committee comprised members with the appropriate skillset and diversity and that all members had sufficient time to devote to the committees.

Prior to this review John Cresswell, Neelam Dhawan and Nneka Abulokwe were members of all of the standing committees. David Lowden stepped down as a member of the Remuneration and Audit and Risk Committees upon his appointment as Chairman on 10 May 2022.

Frequency of meetings and attendance

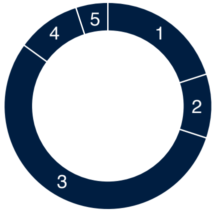
During 2022, the Nomination Committee met eight times, the Remuneration Committee six times, the Audit and Risk Committee six times and the ESG Committee three times. Attendance of directors at committee meetings is shown in the table on page 73.

Nomination Committee report

> "We are committed to making sure we have the necessary skills, expertise and diversity on the Board to help support the delivery of Capita's strategy."
>
> **David Lowden,** Chair, Nomination Committee

The committee met eight times in 2022 and the members' attendance record is shown on page 73. The Chief General Counsel and Group Company Secretary acts as Secretary to the committee and is available to assist committee members as required, also ensuring the distribution of timely and accurate information. The committee reports and makes recommendations to the Board in relation to its activities. It is authorised under its terms of reference to obtain the advice of independent search consultants. The committee's terms of reference can be found on Capita's website at www.capita.com/investors/corporate-governance.

Nomination Committee time allocation (%)



1 **20%** Board appointments
2 **10%** Employee director appointment
3 **55%** Succession planning
4 **10%** Diversity
5 **5%** Governance

The time allocation chart is provided for guidance only and other matters were also considered by the committee.

Responsibilities and activities

Key responsibilities

- Identify and nominate appropriate candidates for appointment to the Board, having due regard to the provisions of the Code and, in particular, the balance of skills, knowledge and experience on the Board and the diversity of its composition.
- Keep the structure and size of the Board, its committees and the leadership needs of the organisation under review and ensure that plans are in place for orderly succession and appointment to the Board.
- Review the time commitment and performance of non-executive directors.
- Oversee development of a diverse pipeline for succession.

Activity in 2022

- Succession planning for the Chairman.
- Recruitment and appointment of two independent non-executive directors.
- Overseeing the process of the appointment of a new employee director and reviewing and recommending the appointment of the preferred candidate to the Board.
- Review of diversity and inclusion activities and measures.
- Reviewing succession planning for members of the Executive Committee.
- Consideration of the contributions and effectiveness of the non-executive directors seeking re-election at the 2022 AGM.
- Reviewing committee membership and appointment of the SID.

Diversity and inclusion

Capita's diversity and inclusion policy, which includes the Board, is based on a commitment to creating an environment where diversity is valued and respected. We believe that business success is a direct result of the experience and quality of its people. Inherent within this approach is an acceptance and embracing of diversity in all its forms and an endorsement that the entire workforce, including the Board, be representative of the communities in which Capita operates. Key aims of the policy are to ensure equality, diversity and inclusion in the workplace and to promote a culture where everyone is treated with respect and dignity.

Further information on actions taken to address diversity, inclusion and wellbeing across the workforce is on pages 39 and 40 of the strategic report.

Gender and ethnicity balance

The FCA has introduced a requirement for premium listed companies to disclose against a target of 40% female representation and ethnicity (at least one director of colour) on boards of premium listed companies in respect of accounting periods beginning on or after 1 April 2022. During 2022, we made further progress on gender and ethnicity balance at both Board and senior management levels, and we have already exceeded the FCA's target for female representation at Board level, but there is still more to do throughout the organisation.

At 31 December 2022, female representation on the Board and among senior management[1] was 44% and female representation among senior management[1] and direct reports was 35%. At 31 December 2022, ethnically diverse representation on the Board and among senior management[1] was 22%.

Appointment process

Board appointments are made on merit, taking account of the specific skills, experience, knowledge and independence needed to ensure a rounded board. We ensure 40% female representation on recruitment shortlists and, where appropriate, seek to include candidates who may not have listed company experience but who possess suitable skills and qualities. We only engage executive search firms that have signed up to the voluntary code of conduct on gender diversity and best practice.

Skills and experience

We are committed to making sure we have the necessary skills, expertise and diversity to help support the delivery of Capita's strategy.

During 2022 a Board skills matrix was debated to assist in ensuring the balance of skills and experience of the Board matched the future needs of the business.

Succession planning and Board composition

A formal succession framework is in place for the CEO, CFO, Executive Committee and the two management layers beneath. The purpose of the framework is to apply a fair, objective and consistent methodology to identify future potential career paths for individuals within the Group.

1. The 2018 Code defines senior management as the Executive Committee and the Group Company Secretary.

Structured development plans are implemented to support individuals in improving their skills and experience. The depth of the framework means talent can be identified and nurtured at an early stage and, combined with the approach to Board appointments, means the pool of possible future candidates for Board roles is sufficiently wide and diverse.

Board appointments during the financial year

During the year the committee considered the following Board appointments, recommending the appointment of the preferred candidate to the Board. External search agencies Spencer Stuart and Lygon Group (Lygon), were engaged to assist in identifying suitable candidates for these Board positions. These firms have no other connection with the Company or individual directors.

Nneka Abulokwe who has significant experience of business and technology innovation was appointed to the Board on 1 February 2022, with Spencer Stuart assisting the committee.

The committee considered succession planning for the role of chairman. Lygon evaluated potential external candidates against David Lowden, the Company's SID and strong internal candidate. The committee considered a number of potential external candidates, before concluding that David was the strongest and preferred candidate for the role. Following this process the committee recommended to the Board that David should succeed Sir Ian Powell when he stepped down as Chairman at the conclusion of the Company's 2022 AGM on 10 May 2022. David was appointed as Chair designate on 22 March 2022. Sir Ian and David did not participate in these discussions. Georgina Harvey and John Cresswell, committee members, co-chaired the committee meeting which considered the appointment of Sir Ian's successor.

As part of its succession planning agenda, the committee engaged Lygon to identify candidates with strong current financial experience. This concluded in the appointment of Brian McArthur-Muscroft to the Board on 1 June 2022 and as Audit and Risk Committee chair on 1 July 2022. Brian is a chartered accountant and chief financial officer for Qontigo.

The committee considered, and recommended, the appointment of Janine Goodchild as employee non-executive director. Janine is a Lead Clinical trainer in the Capita team which assesses personal independence claims on behalf of the Department for Work and Pensions. Janine joined Capita in January 2016 and was appointed to the Board on 1 July 2022.

Board evaluation

Details of the annual board evaluation process are provided in the Chairman's report on page 68.

David Lowden
Chair
Nomination Committee
2 March 2023

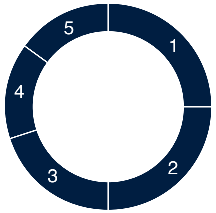
ESG Committee report

The committee oversees Capita's conduct as a responsible business and validates through ESG principles our approach to being a purpose-led business.

We have continued to make progress in delivering on our environmental, social and governance (ESG) objectives.

To enhance how we serve and respect our stakeholders, including society and the environment, we have also established an ESG committee to the Board. This committee was established on 30 June 2022 and met three times during 2022. David Lowden has been appointed as ESG Committee chair. Other members of the committee are Georgina Harvey, Nneka Abulokwe, John Cresswell and Janine Goodchild.

ESG Committee time allocation (%)



1	25%	Governance
2	25%	Employee-related issues including diversity and inclusion
3	20%	Net zero
4	15%	ESG-related bonus targets
5	15%	Strategy

The time allocation chart is provided for guidance only and other matters were also considered by the committee.

Responsibilities and activities

Key responsibilities

- Oversee the development of the Group's ESG strategy and monitor its performance in respect of ESG-related matters on behalf of the Board.
- Consider the adequacy of the Group's ESG-related policies.
- Oversee and monitor the Group's progress against its net zero strategy.
- Liaise with the Audit and Risk Committee regarding the Company's Speak Up policy.
- Receive, review and approve the Group's people strategy on behalf of the Board.

Activity in 2022

- Reviewed the terms of reference of the committee.
- Reviewed Capita's progress towards its net zero target.
- Received awareness training on net zero.
- Received a presentation on the Group's HSE framework and divisional/functional compliance, including wellbeing matters.
- Reviewed diversity and inclusivity data.
- Considered Capita's ESG strategy and governance structure.
- Received an update on Capita's people plan.
- Reviewed and recommended to RemCo ESG bonus-related targets for 2023 and reviewing and approving the outcome of ESG bonus-related targets for 2022.
- Received a report on ESG indices and how Capita is performing.

The committee received reports on the following themes during the year:

- cyber and information security
- IT resilience
- internal controls
- securing contracts and extending existing contracts
- risk of failing to deliver on our contractual obligations to our clients
- attracting, developing and retaining our people
- anti-bribery and corruption, including details of matters raised under the Group's Speak Up policy
- privacy
- legal update.

Establishment and role of the committee

The committee oversees Capita's conduct as a responsible business and validates, through ESG principles, our approach to being a purpose-led business.

The committee monitors progress against our responsible business strategy, ensuring that we remain focused on supporting the United Nations' Sustainable Development Goals (UNSDGs) as well as addressing the issues where we can have the biggest impact – through our own operations and the products and services we provide to our clients.

This committee provides a forum within which all components of Capita's responsible business strategy can be considered in-depth on a regular basis, and provides for a joined up approach across Board committees. The committee has a rolling agenda based upon our ESG strategy and mapped against the Ten Principles of the UN Global Compact, in support of achieving the UNSDGs by 2030.

The committee will work closely with the Nomination, Remuneration and Audit and Risk Committees on ESG-related issues, including in relation to diversity and inclusion (D&I), employee engagement, ESG-related bonus targets, Capita's Speak Up policy and TCFD compliance.

In addition to the attendance of committee members, the following individuals have a standing invitation to attend meetings: Jon Lewis, CEO; Caitlin Kinsella, Director of Employee Engagement, D&I and Responsible Business; and Dr Charles Young, Senior Medical Officer. Caitlin and Charles act as advisers to this committee. The Chief General Counsel and Company Secretary or their nominee act as secretary to the committee.

This committee is supported by an ESG working group comprising key individuals in the Group who are responsible for ESG-related matters. Members of the working group are invited to committee meetings to share their perspectives and insights on key issues and external developments. These discussions ensure the Committee stays alert to current and emerging trends and any potential risks arising from sustainability issues.

Focus of the committee

Following its establishment in June 2022, the committee has focused on the following matters.

Net zero target

Capita is committed to being net zero by 2035 and this has been an area of focus for the committee, which has received presentations on our progress towards net zero from Richard Walker, Head of Environment.

The committee was proud to note that, through the dedication and professionalism of our colleagues, Capita was included in the 2022 Carbon Disclosure Project 'A' list, a universal global measure that scores companies and cities based on their journey through disclosure and towards environmental leadership.

In addition, on 4 January 2023, Science Based Targets initiative (SBTi), the globally recognised body for climate-related target setting, verified Capita's 2035 net zero target as compliant with the highest standards of target setting methodology. At that date, only 134 companies had net zero targets verified by SBTi, showing the level of commitment and authenticity required.

Task Force on Climate-related Financial Disclosures

The committee has reviewed and considered the disclosures made within this annual report which are consistent with the TCFD recommendations.

The Group's HSE framework and wellbeing of our colleagues

The health and safety and the wellbeing of all our colleagues is a priority for the committee. The committee received presentations from the Senior Medical Officer detailing Capita's HSE framework, noting the improvements that had been made to the Group's HSE compliance during 2022 and from the Group Head of Wellbeing and Occupational Health, which explained the wide variety of global wellbeing support tools and activities that we provide for all our colleagues to help them manage their own wellbeing as well as supporting colleagues through challenging times. Our employee assistance programmes are a fundamental support service available to all colleagues providing 24/7 counselling and advice.

ESG-related bonus targets

This committee worked closely during the year with the Remuneration Committee on ESG-related bonus targets, both reviewing the outturn of the ESG-related targets included in the 2022 management bonus plan and reviewing ESG targets for the 2023 management bonus plan, making recommendations to the Remuneration Committee. These include traditional measures such as employee engagement together with targets that address broader societal concerns, such as climate change and D&I, consistent with the Board's responsibility to all stakeholders. Further details are provided in the Directors' remuneration report on pages 99 to 122.

Other matters

During the year the committee also addressed a range of other strategic and current issues including the results of our employee survey, gender pay gap information and D&I, and discussed the initiatives that are being undertaken by Capita in these areas.

Details of the progress made by our responsible business team and the challenges that the Group faces are detailed on pages 37 to 46 of this report. This includes details of our continuing commitment to be a real living wage accredited employer in the UK, our adherence to the UK Prompt Payment Code and other matters that will be considered by the committee during 2023, including Capita's focus on delivering an increasingly positive, consistent employee experience.

David Lowden
Chair
ESG Committee
2 March 2023

Audit and Risk Committee Report

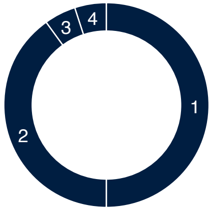
"Following the decision by the Board and the committee at the end of 2021 to focus on optimising the current finance reporting systems, programmes have been established to deliver further improvements to the group risk and control framework, including financial controls."

Brian McArthur-Muscroft, Chair, Audit and Risk Committee

The Audit and Risk Committee's terms of reference set out in full the role, responsibilities and authority of the committee and can be found on the Company's website at www.capita.com/investors/corporategovernance.

The terms of reference are reviewed annually and updated as required.

Audit and Risk Committee time allocation (%)



1 **50%** Risk management, internal control & compliance
2 **40%** Financial reporting (incl. external audit)
3 **5%** Private meetings with auditors
4 **5%** Governance

The time allocation chart is provided for guidance only and other matters were also considered by the committee.

Role and responsibilities

The committee is responsible for carrying out the audit functions as required by DTR 7.1.3R and assists the Board in fulfilling its oversight responsibilities in respect of the Company and the Group. The committee's key responsibilities are:

Financial reporting
To review the reporting of financial and other information to the Company's shareholders and to monitor the integrity of financial statements, including the application of key judgements in determining reported outcomes, to ensure they are fair, balanced and understandable.

Risk management, internal control and compliance
To review and assess the adequacy of systems of internal control and risk management, and monitor the risk profile of the business.

Internal audit
To approve the annual internal audit plan, review the effectiveness of the internal audit function and review all significant recommendations, and ensure they are addressed in a timely manner.

External audit
To review the effectiveness and objectivity of the external audit process, assess the independence of the external auditor and ensure appropriate policies and procedures are in place to protect such independence.

Effectiveness
To report to the Board on how it has discharged its responsibilities.

Risk and control framework

The committee continued to fulfil its role of supporting the Board in its review of the integrity of the Group's financial reporting, monitoring the effectiveness of the Group's system of risk management and internal controls, and overseeing the activities of the group's internal audit function and its external auditor.

As noted below, further progress was made in strengthening the Group's controls. In addition, as in the prior year, a key control questionnaire process was completed across the Group where every business leader attested to compliance with key controls. This enables management to focus attention on control areas that need improvement.

Further detail on the risk management and internal control environment is set out later in this report on page 97.

Controls improvement

Following the decision by the Board and the committee at the end of 2021 to focus on optimising the current finance reporting systems, programmes have been established to deliver further improvements to the Group risk and control framework, including financial controls. These programmes have focused on the simplification of finance activities and controls, continuing to embed the enterprise risk management framework, and further rationalisation of the overly complex legal structure. Key improvements in 2022 include: strengthening key system access controls; refining key policies, supporting standards, and communications; and continuing to mature risk management within our functions and divisions. In addition the legal entity rationalisation programme progressed well during the year with the number of legal entities in the Group being reduced by 37. At 1 January 2023, the Group had 180 legal entities compared with 369 legal entities in July 2018. The rationalisation programme is ongoing and the number of legal entities will further reduce during 2023. Further improvements to the Group risk and control framework are planned for 2023, taking into consideration the Government's proposed audit and governance reforms.

The Board and the committee also recognise the UK Government's proposed reforms in respect of fraud prevention and reporting. Elements of the Group's existing control framework are targeted at detecting fraud, bribery, corruption and criminal tax evasion. These include Capita's Code of Conduct and supporting mandatory training, a delegation of authority matrix applicable to all employees, and segregation of duties within key systems and processes to prevent fraud. These controls are supported by a Speak Up policy which enables whistleblowing within the Group and a Financial Crime function dedicated to identifying, preventing and investigating where fraud concerns have been raised.

Committee membership and attendance

Until 30 June 2022, all non-executive directors and Joseph Murphy, employee non-executive director, were members of the committee. Following a review of committee membership by the Nomination Committee in June 2022, the committee comprises myself as chair, together with John Cresswell and Neelam Dhawan, non-executive directors and Janine Goodchild, employee non-executive director. Although not considered independent under the UK Corporate Governance Code 2018 (Code), Janine brings valuable insights from the employee perspective into committee discussions and the Board considered that it was important from an employee engagement perspective for both Joseph and Janine formally to be a member of the committee despite their lack of independence.

I joined the committee on 1 June 2022 and was appointed as committee chair on 1 July 2022 with Matthew Lester stepping down as a director and chair of the committee on 30 June 2022. I was also invited to attend the April 2022 committee meeting as an observer. This, together with the one-month handover between Matthew and I, ensured that there was a seamless transition of the committee chair. Prior to my appointment as chair I also met with KPMG, our external auditor, and members of our Group Finance and Internal Audit teams, as part of my induction programme.

I would like to thank Matthew for his leadership of the committee. During his five-year tenure as committee chair, Matthew enhanced the committee's focus on financial controls and the identification and management of the material risk factors that Capita continues to face.

The committee is required to include at least one financially qualified member, with this requirement fulfilled by myself since my appointment as a committee member and by Matthew until his retirement from the committee.

All other committee members are considered to be financially literate given their qualifications and experience. John is a chartered accountant and has substantial experience in leading and growing organisations as CEO and executive director. Neelam has held senior positions in Hewlett-Packard, Microsoft, Compaq and IBM with responsibility for areas including strategy and corporate development. Janine's previous experience includes working in the banking industry within corporate actions and asset reconciliations.

As announced on 3 February 2023, John will step down from the Board and as a member of the committee on 31 March 2023. On behalf of the committee, I would like to thank John for his significant and valuable contribution to the committee's deliberations. Georgina Harvey, Senior Independent Director and Remuneration Committee Chair will be appointed as a member of the Committee upon John's departure.

To encourage effective communication, in addition to the above members, the Chairman, CEO, CFO, Chief General Counsel and Company Secretary, Director of Group Financial Control and Group Chief Accountant are invited to attend committee meetings along with certain members of the senior management team, the Director Internal Audit and Risk and representatives from KPMG, the Group's external auditor. Opportunity exists at the end of each committee meeting for the representatives of the internal and external audit teams to meet with the committee in the absence of management and both have access to the committee should they wish to voice any concerns outside formal meetings.

Committee performance was assessed as part of the Board evaluation, see page 68 for more information. The Board is satisfied that the combined knowledge and experience of its members is such that the committee discharges its responsibilities in an effective, informed and challenging manner and that, as a whole, the committee has competence relevant to the sector in which the Company operates. The Chief General Counsel and Company Secretary, or their nominee, acts as Secretary to the committee and is available to assist the members of the committee as required, ensuring that timely and accurate information is distributed accordingly.

How the committee operates

The committee has an annual forward agenda to cover the key events in the financial reporting cycle, specific risk matters identified by the committee and standing items that the committee is required to consider in accordance with its terms of reference. The annual agenda is supported by planning meetings held in advance of each committee meeting, led by me and attended by the CFO, members of the Group Finance team and the Director of Internal Audit and Risk. I will also meet with the external auditor prior to committee meetings. Their purpose is to identify key issues impacting the business that may require consideration by the committee. Reports are received from Group functions, including risk and internal audit, as appropriate. New sales wins and their contract terms are reviewed from a risk and accounting perspective as appropriate. Additional reports are provided as may be required. I report to the Board the key matters of discussion and make any significant recommendations as necessary.

How the committee discharged its roles and responsibilities in 2022

The committee held six scheduled meetings during the year and attendance at each meeting is shown on page 73. Meetings are planned around the Company's financial calendar.

> **"Programmes have been established to deliver further improvements to the Group risk and control framework."**

Financial reporting

Accounting judgements and significant accounting matters

As part of the process of monitoring the integrity of the financial information presented in the half-year results and the Annual Report and Accounts, the committee reviewed the key accounting policies and judgements adopted by management to ensure that they were appropriate. The significant areas of judgement identified by the committee, in conjunction with management and the external auditor, together with a number of areas that the committee deemed significant in the context of the financial statements, are set out in the tables on pages 93 to 95.

Fair, balanced and understandable

At the Board's request, the committee considered whether the half-year results and the Annual Report and Accounts were fair, balanced and understandable, and whether the information provided was sufficient for a reader of the statements to understand the Group's position and performance, business model and strategy. The committee reviewed both the narrative and financial sections of the reports to ensure they were consistent and gave a balanced view of the performance of the business in the year and that appropriate weight was given to both positive and negative aspects. The committee also considered whether the full-year announcement was presented clearly.

The committee considered whether the Annual Report and Accounts enables readers to understand the Company's financial position and prospects, as well as assess its going concern status and longer-term viability.

Significant issues in relation to the financial statements considered by the Audit and Risk Committee

Going concern and viability assessment

Matter considered
Consideration of the going concern assumption and viability of the Group and Parent Company is the responsibility of the Board. The committee conducted an assessment as part of its support role, given the inherent judgements required to assist the Board evaluate the resilience of the Group.

Action
The committee considered the projections within the business plan, agreed by the Board in January 2023, and the key assumptions underpinning the future cash flow and profit forecasts. The committee received reports from executive management and KPMG (as part of their standard reporting to the committee in the course of performing their duty as statutory auditor) concerning the going concern and viability assessments, including the key risks identified. These included details on the key assumptions, the forecasting process including historical forecasting accuracy, the committed facilities available, and the mitigations within direct control of the Group. The committee also considered the risks identified and appraised the severity and plausibility of these in setting the downside scenario (see section 1 to the consolidated financial statements for details).

The committee reviewed the disclosures presented in section 1 of the consolidated financial statements together with the viability statement on page 64 to ensure there was sufficient detail provided to explain the basis of preparation and the Board's conclusion.

Outcome
The committee is satisfied that the analysis presented by executive management and KPMG provides enough detail to allow a robust assessment of relevant risks and mitigations to be undertaken. This supported full discussion of the severe but plausible downsides and allowed the committee to recommend to the Board that the going concern assumption be applied and the viability statement be approved.

The committee is satisfied that section 1 to the consolidated financial statements and the viability statement on page 64 include proportionate disclosures to inform users of the assessments undertaken by the Board.

Revenue and profit recognition

Matter considered
There is significant risk on long-term contracts related to revenue recognised from variations or scope changes, where significant judgement is required to be exercised by management. There is a risk that revenue may be recognised even though it is not probable that consideration will be collected, which could be due to uncertainties over contractual terms and ongoing negotiations with clients.

Judgement is also required when customers request scope changes to determine if there is a contract modification or a contract termination followed by a new contract. Contract terminations can lead to the immediate recognition of any deferred income being held for recognition in future periods.

Action
The committee received regular updates on all major contracts during the year and specifically reviewed the material judgements as part of the half-year and year-end close process. The committee has also considered the recognition of onerous contract provisions, where appropriate, and the lifetime profitability of contracts.

To aid the reader, the company has included a detailed explanation of the Group's accounting for long-term contracts (see note 2.1 to the consolidated financial statements).

Outcome
The revenue recognition policy includes disclosure of the significant judgements and estimates in relation to its application and the committee is satisfied that these have been properly disclosed. The committee is satisfied that the disclosures given within the accounts are sufficient to gain a proper understanding of the methodology of accounting for revenue across the Group, including the recognition of deferred income at the balance sheet date. The committee reviewed the disclosure and concluded that these provide information that is helpful to allow a fuller understanding of the application of IFRS 15 to the Group's contracts.

Contract fulfilment assets

Matter considered

The adoption of IFRS 15 led to the recognition of contract fulfilment assets (CFAs). Judgements are involved in assessing whether the costs incurred on a contract or an anticipated contract meet the capitalisation criteria as set out under the standard.

In addition, the amortisation of these assets involves estimation of the expected life of the contract, and when a contract is in the early years post-inception and undergoing major transformation activities, the CFAs are at heightened risk of impairment. Judgements are involved in assessing whether the costs incurred on a contract or an anticipated contract meet the capitalisation criteria as set out under the standard.

Action

The committee has considered and challenged the significant judgements and estimates involved in determining the carrying value of CFAs.

As part of the review of all major contracts, the committee has also considered the recoverability of CFAs.

Outcome

The committee is satisfied that appropriate judgements and estimates have been made in determining the carrying value of CFAs and the extent of impairment of CFAs recognised in these statements is appropriate. The committee is satisfied that the accounting policy note provides sufficient clarity as to the policy adopted and that the disclosures provide information to allow a reader to understand the risks associated with different stages of a typical long-term Capita contract.

Impairment of goodwill and Parent Company's investment in subsidiaries, and recoverability of receivables from subsidiary undertakings in the Parent Company

Matter considered

The Group carries significant asset balances in respect of goodwill related to its acquisition activity. In addition, the Parent Company carries a material balance of investment in, and receivables from, subsidiaries in its financial statements. The impairment and recoverability assessments require the application of judgement concerning future prospects and forecasts.

Action

The committee has reviewed the robustness of the impairment model and challenged the appropriateness of assumptions used to calculate and determine the existence of impairment.

The committee has also reviewed the robustness of the assessment of recoverability of receivables from subsidiary undertakings in the parent company, and challenged the appropriateness of assumptions used to calculate and determine any provisions required.

Outcome

The committee is satisfied with the impairment of goodwill recognised in these financial statements in respect of certain businesses within the Group's Portfolio division.

The committee is also satisfied that the assumptions, methodology and disclosure in note 3.4 to the consolidated financial statements are sufficient to give the reader an understanding of the action taken and the sensitivities within the goodwill balance to any further impairment risk.

Of particular importance to the committee was the inclusion of sufficient disclosures regarding the events and circumstances that have led to the impairment charges recorded in the year and the analysis showing sensitivity of the goodwill valuation to changes in key assumptions.

The committee also considered that any impairment of investment in subsidiaries, or any provision against amounts receivable from subsidiaries, at the parent company level were appropriate and properly accounted for.

Pensions

Matter considered
The measurement of the defined benefit liabilities in respect of defined benefit pension schemes operated within the Group is a complex area, relying on assumptions on inflation, mortality, corporate bond yields, expectations of returns on assets and several other key inputs. There is a risk that any one of these could lead to misstatement of the Group's liabilities in respect of pension obligations and the pension charge or movement recognised in the income statement or statement of comprehensive income.

Action
The committee reviewed the disclosure as presented in the accounts. The committee also challenged the key assumptions and reviewed the sensitivity to changes in some of the key assumptions on a standalone basis as well as in the context of defined benefit schemes across other external benchmarks.

Outcome
The committee is satisfied that the estimation of the Group's pension liabilities and the narrative that accompanies them gives the required level of information for a reader of the accounts to determine the impact on the Group of its pension obligations.

Deferred tax assets

Matter considered
The Group carries significant deferred tax assets. The recoverability assessment requires the application of judgement concerning future prospects and forecasts.

Action
The committee reviewed the disclosure as presented in the accounts. The committee also challenged the key assumptions and reviewed the sensitivity to changes in some of the key assumptions on a standalone basis as well as in the context of defined benefit schemes across other external benchmarks.

Outcome
The committee is satisfied with the amount of deferred tax recognised in these financial statements.

The committee is also satisfied that the assumptions, methodology and disclosure in note 2.6 to the consolidated financial statements are sufficient to give the reader an understanding of the approach taken and the sensitivities within the assumptions that could reasonably give rise to a material derecognition of deferred tax.

Other issues considered in relation to the financial statements

Materiality

Materiality is important in determining the risk attached to any judgement. The committee considers the audit materiality set by the external auditor to ensure that the committee is informed of individual items above a certain threshold that are most likely to have an impact on the financial statements. The committee reviews the external auditor's report and the individual items that breach the materiality thresholds and assesses their relative impact on the reported statements. These are: income statement, statement of comprehensive income; balance sheet; statement of changes in equity and cash flow; as well as the notes to the accounts.

The committee requests further clarification from the external auditor, the CFO and Director of Financial Control as to the nature of these items and also their relative importance in the financial statements.

After having made such enquiries, the committee is satisfied that materiality has been applied correctly in the accounts.

Disclosure of information to the auditor

The directors who held office at the date of the approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all steps that they ought to have taken as a director to make themselves aware of any relevant audit information required for the audit and to establish that the Company's auditor is aware of that information.

Statutory auditor

The committee provides a forum for reporting by the Group's auditor (KPMG) and it advises the Board on the appointment, independence and objectivity of the auditor and on fees earned for both statutory audit and audit-related work. The committee discusses the nature, scope and timing of the statutory audit with the auditor and, in making a recommendation to the Board on auditor reappointment, performs an annual, independent assessment of the auditor's suitability and performance.

The external auditor attends meetings of the committee and provides updates on statutory reporting, audit-related services and fees, and ongoing audit items.

The auditor has the opportunity to raise concerns in private session with the committee and separately with the chair. Specifically, the committee asks the auditor if discussion of business performance in the strategic report is consistent with the auditor's overall impression of Capita. Any material discrepancies are discussed (refer to the independent auditor's report).

Auditor independence

The committee has a responsibility to put in place safeguards to auditor objectivity and independence and the key measures are:

- The CFO monitors the independence of the auditor as part of the Group's assessment of auditor effectiveness and reports to the committee accordingly.
- The CFO must approve all audit-related engagements – further details are set out in the section below on audit-related services. The committee reviews audit-related fees twice a year and considers the implications for auditor objectivity and independence.
- The auditor must confirm its independence to the committee every six months.

Ensuring conflicts of interest are avoided is a fundamental criterion in the selection of any third-party auditor. Such conflicts may arise across public and private sector clients, and in key supplier relationships. They are a key factor in the award process for an external audit assignment.

Audit-related services and fees

The Company's policy on auditor independence describes the services that may be procured from the auditor, namely audit and audit-related services only. To avoid the perception of a conflict of interest, the provision of non-audit services is not permitted. Audit-related services include those required by laws and regulations, or where it is more practical for the external auditor to perform the service (eg reporting accountant role related to certain public company transactions). KPMG continues to perform the review of interim results which, although technically classified as a non-audit service, relates closely to the audit.

Under the policy, which is reviewed annually, executive management has discretion to engage the auditor for audit-related services but the nature of such assignments and associated fees must be reported regularly to the committee. All assignments require approval from the CFO. Where executive management has any concern that a proposed assignment might threaten the auditor's independence, this is discussed with the committee chair.

Total non-audit fees during the year were £1.6m, and related to the review of interim results and services as reporting accountant for the disposal of Pay360 Limited. Further details are provided in note 2.3.2 to the consolidated financial statements.

External auditor performance

The committee discussed regularly the performance of KPMG during the year and was satisfied that the level of communication and reporting was appropriate. These discussions included a review of the effectiveness and quality of the audit process, audit planning and a formal post-audit evaluation.

The formal evaluation comprises separate assessments by both management and the committee of the auditor's role, activity and performance including:

- Calibre and risk profile of the audit firm;
- Audit governance, independence and objectivity;
- Audit scope and strategy;
- Audit team and relations with management and business; and
- Audit communications and resolution of audit issues.

Financial Reporting Council: audit quality inspections

Each year, the Audit Quality Review team (AQR) of the FRC issues a report that sets out the principal findings arising from the audit quality inspections conducted in the previous calendar year across a sample of audits for all major audit firms. The AQR's objective is to monitor and promote improvements in the quality of auditing. The reports highlight improvements required to promote audit quality, and areas of good practice. The FRC publishes separate reports on the individual firms, including KPMG.

The committee received a presentation from the KPMG lead audit partner on the findings from the FRC Audit Quality Inspection Report for KPMG.

External auditor reappointment

Following a robust and rigorous audit tender process in 2018, the committee and Board recommended the reappointment of KPMG LLP as the Group's auditor and this was approved by shareholders at the 2019 AGM. KPMG was first appointed in 2010, initially as KPMG Audit plc.

The lead audit partner is rotated on a five-yearly basis. Robert Brent the lead audit partner rotated off the audit team following the completion of the 2021 audit in March 2022 with Ian Griffiths replacing Robert in this role. Ian was appointed following a robust process. Ian attended committee meetings prior to his appointment as lead audit partner as part of ensuring a smooth transition of the change in lead audit partner. There are no contractual obligations which restrict the committee's choice of auditor.

Under the requirements of the Statutory Audit Services Order and the EU Audit Directive and Audit Regulation, the provision of audit services should be retendered every 10 years. The complex nature of the Group requires that a knowledge base is built up year on year by the incumbent to ensure that the external audit is conducted with a proper understanding of the Group's operations and the nature of the risks that it faces. This is an important factor in ensuring audit quality. The Group has complied with the provisions of the Statutory Audit Services Order.

A resolution to reappoint KPMG as the external auditor of the Company will be put forward at the forthcoming annual general meeting. If approved, KPMG will hold office from the conclusion of this meeting until the conclusion of the next general meeting at which accounts are laid before the Company, and its remuneration will be determined by the committee.

Review of risk management and internal control

Responsibility for reviewing the effectiveness of the Group's risk management and internal control systems is delegated to the committee by the Board. The principal risks and risk management processes are set out on pages 54 to 63.

Effectiveness and efficiency of risk management

During the year, the committee completed a robust assessment of the principal risks, including deep-dive reviews on four of the 13 principal risks. The assessment also considered any emerging risks that would threaten its business model, future performance, solvency or liquidity. The assessment process included regular engagement with the Executive Committee members accountable for the management of risk falling under their remit. As part of each deep dive, the committee reviewed existing controls and further risk reduction actions to ensure they were valid and effective in reducing the overall risk level.

The committee received reports on the following themes during the year:

- Cyber and information security;
- IT resilience;
- Internal controls;
- Securing contracts and extending existing contracts;
- Risk of failing to deliver on our contractual obligations to our clients;
- Attracting, developing and retaining our people;
- Anti-bribery and corruption, including details of matters raised under the Group's Speak Up policy; and
- Privacy.

The enterprise risk management framework and control environment continues to be enhanced and embedded across Capita in the revised operating model. The committee concluded that risk management processes and the system of internal controls were adequate and there were no material weaknesses requiring specific disclosure. The committee reported the conclusions to the Board to support the annual confirmation that a robust assessment of the principal risks had been carried out.

Effectiveness and efficiency of financial controls

Detail on the status of internal financial controls is in the internal control and risk management section of this report and can be found on page 54. As detailed on page 54 further improvements to the Group risk and control framework, including financial controls were delivered during the year.

The committee concluded that the Group risk and control framework, including financial controls could be relied upon to be materially effective, noting that further improvements to the Group risk and control framework are planned for 2023 to ensure that financial controls are appropriately efficient for a Group of the scale and complexity of Capita.

Internal audit

The Group internal audit function has an administrative reporting line to the CFO and an independent reporting line to me as Chair of the committee. The function has in place a co-sourcing arrangement which adds expertise and breadth to the work of the in-house audit team. The function is led by the Director Internal Audit and Risk who is also responsible for the Group's unregulated risk function. Regulated business risk is the responsibility of the CEO, Experience.

The three-year plan approved by the committee in June 2021, which focuses on key business risks and processes, formed the baseline for audit planning in 2022. Conducting audits over these risks and processes provides better insight into how risk is being managed and provides comparison across business units. The plan is structured to be flexible; to provide assurance over core 'business as usual' activities aligned to our principal risks; and, to offer continued support for ongoing change activities.

Throughout the year, the Group internal audit function provides written reports to the committee on the work carried out to date and the in-flight work to be completed, together with oral updates. An annual report is provided each year summarising the key matters arising. Reports set out strengths and weaknesses identified during the work, together with any recommendations for action.

Insights from 2022 audits have continued to identify consistent themes including: lack of defined policy and procedures over key processes; risks being managed through the experience of our people and existing knowledge; roles, responsibilities and accountabilities not always clear; and lack of evidence to demonstrate monitoring and reporting of control activity.

In all cases, management responded with appropriate actions to mitigate the associated risks. The committee reviews management's response to the matters raised and ensures that any action is commensurate with the level of risk identified, whether real or perceived.

As a result of the consistent themes identified during audits a plan was presented and approved by the committee during 2022 to address these issues and further improve the Group's financial controls framework. The committee will receive regular updates on the progress of this project.

Through regular interaction between the committee and the Director Internal Audit and Risk, as well as reports received from the function, the committee can assess and satisfy itself that the Group's provision of internal audit is effective.

Anti-bribery and corruption

Capita has a Group-wide anti-bribery and corruption policy, which complies with the Bribery Act 2010. Procedures are reviewed periodically to ensure continued effective compliance in Group businesses around the world.

Code of Conduct and Speak Up

During the year, the Company refreshed its mandatory Code of Conduct training and relaunched its Speak Up policy. The Speak Up policy provides a framework for concerns to be raised in a responsible and effective manner. To ensure that concerns are addressed in a manner independent of a worker's business area, concerns can be raised through a facility provided by an independent third-party provider. Where concerns are raised, they are escalated to named contact points within Capita for further assessment and investigation.

As part of the relaunch, a 12-month Speak Up communication plan was prepared to raise awareness of this policy and stimulate engagement with employees. The number of reported cases has increased following the relaunch, although reported cases are still considered to be low in certain jurisdictions given the size of Capita. The Chief General Counsel and Company Secretary and members of the Business Integrity team are scheduled to visit some of Capita's international sites during 2023 to reinforce and embed the Speak Up policy in these businesses.

This is an area of focus for the committee, which receives a report and update on the current level of reported cases at every meeting. Oversight of these arrangements is a matter reserved to the Board and it receives updates on the operation of the policy from the committee chair.

Privacy

In December 2022, the privacy function was restructured to form a central team with a managerial reporting line to the Data Protection Officer of Capita plc, while retaining the existing operational alignment of the current privacy teams to the divisions, TSS and shared services, ensuring that privacy is managed where data is created while ensuring that Capita's privacy policies and standards are implemented consistently throughout the Group.

The privacy teams across Capita continue to provide privacy assurance, training and support to business units in line with the requirements of data protection legislation. Throughout 2022, there were a number of new initiatives undertaken by the central privacy team aimed at raising privacy awareness throughout Capita including targeted training and regular meetings with key stakeholders.

Brian McArthur-Muscroft
Chair
Audit and Risk Committee
2 March 2023

Directors' remuneration report

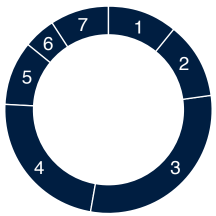
> "Our remuneration policy continues to work well, supporting our strategy to build a more focused and sustainable business for the long term."
>
> **Georgina Harvey,** Chair, Remuneration Committee

This report is split into three sections:

- **The annual statement summarises how the committee discharged its roles and responsibilities in respect of 2022 and the proposed implementation of the directors' remuneration policy for 2023.**
- **A summary of the directors' remuneration policy (the policy) which was approved by shareholders at the 2021 annual general meeting (AGM). No changes are proposed for 2023. A new policy will be put to shareholders for approval at the 2024 AGM.**
- **The annual report on remuneration sets out the remuneration arrangements and incentive outcomes for the year under review and explains how the policy will be operated for 2023.**

The directors' remuneration report, excluding the policy, will be subject to an advisory shareholder vote at the 2023 AGM.

Remuneration Committee time allocation (%)



1 **11%** Governance
2 **12%** Executive director and executive committee remuneration
3 **30%** Annual bonus plan
4 **23%** LTIP/RSA
5 **10%** Wider workforce/gender pay gap
6 **5%** Shareholder consultation/feedback
7 **9%** Committee time only

Remuneration Committee membership and attendance

All members of the committee are independent non-executive directors. Following a change to the non-executive employee director during the year, this role now attends committee meetings by invitation, rather than being a member of the committee. The number of formal meetings held and the attendance by each member is shown in the table on page 73. The committee also held informal discussions as required. The Chief General Counsel and Company Secretary acts as secretary to the committee and is available to assist the members of the committee as required, ensuring that timely and accurate information is distributed accordingly.

The committee's terms of reference set out the role, responsibilities and authority of the committee and can be found on the Company's website at www.capita.com/investors. These are reviewed and updated where appropriate, on an annual basis.

The time allocation chart is provided for guidance only and other matters were also considered by the committee.

Annual statement

Dear shareholder,

I am pleased to present the directors' remuneration report for the year ended 31 December 2022.

Capita has delivered material progress in delivering our strategy to build a more focused, sustainable business for the long term despite the current economic headwinds and cost-of-living crisis. With this in mind, the committee's focus in 2022 has been centred on:

- Operating our remuneration policy as approved by shareholders at the 2021 AGM; and
- Colleague wellbeing and development: establishing Capita pay principles, development of the career path framework incorporating job sizing and market informed job pay ranges.

Details of the committee's approach to remuneration in 2022, and the proposed implementation of the policy for 2023, are set out below.

How the committee operates

The committee has an annual agenda covering the key planning and decision events in the annual remuneration cycle. Each meeting is supported by an agenda-setting discussion held in advance with the committee Chair, Chief People Officer and Group Reward Director, to identify issues affecting remuneration that may require consideration by the committee. Regular reports, including updates on corporate governance and regulatory developments, are received from the committee's adviser. At each committee meeting the members may receive other reports and presentations covering wider workforce arrangements which include the annual pay review, incentive scheme arrangements, gender pay and ethnicity reporting, engagement on how executive remuneration aligns with wider company pay policy, salary proposals for members of the senior team and approval of remuneration packages for new members of the executive committee.

Following the establishment of the ESG committee during the year, the ESG committee is responsible for making recommendations to the committee in respect of setting and assessing ESG targets in the annual bonus.

Committee activities

The key workstreams of the committee during the year included:

- Agreeing the vesting percentage in respect of the 2019 LTIP awards for the performance period ended 31 December 2021.
- Agreeing annual bonus awards under the annual bonus plan for the year ended 31 December 2021.
- Agreeing appropriate 2022 RSA levels under the 2021 Capita Executive Plan.
- Agreeing the design and targets for the 2022 annual bonus.
- Determining the remuneration arrangements for senior management leavers/joiners.
- Consideration of executive pay arrangements and alignment with those for the wider workforce.
- Ongoing workforce engagement in respect of executive remuneration and considering feedback.
- Receiving progress updates in respect of a review of wider workforce strategy on pay and progression (career path framework).

In addition, the committee has ensured that the remuneration policy and practices are consistent with the six factors set out in Provision 40 of the 2018 UK Corporate Governance Code (the Code):

Clarity – our policy is well understood by our senior management team and has been clearly articulated to our major shareholders and representative bodies (both on an ongoing basis and during the detailed consultation exercise in respect of the last policy review).

Simplicity – the committee is mindful of the need to avoid overly complex remuneration structures, which can be misunderstood and deliver unintended outcomes. A key objective of the committee is to ensure our executive remuneration policies and practices are straightforward to communicate and operate.

Risk – our policy has been designed to ensure that inappropriate risk-taking is discouraged and will not be rewarded via: (i) the balanced use of both short-term incentives and long-term share awards; (ii) the significant role played by equity in our incentive plans (together with in-employment and post-cessation shareholding guidelines); and (iii) malus/clawback provisions and the committee's ability to use discretion to adjust vesting levels.

Predictability – our incentive plans are subject to annual individual limits, with our share plans also subject to a share dilution limit.

Proportionality – there is a clear link between individual awards, delivery of strategy and our long-term performance through performance conditions or underpins applied to the annual bonus plan and RSAs. In addition, the significant role played by incentive/at-risk pay, together with the structure of the executive directors' service contracts, ensures that poor performance is not rewarded.

Alignment to culture – our executive pay policies are fully aligned to Capita's culture, including elements of fixed pay (executive director pension provision is aligned with the workforce) and through the use of performance metrics that measure how we perform against our financial and non-financial KPIs. RSAs further increase alignment to Capita's responsible business strategy by offering a narrower range of value outcomes.

Remuneration for 2022

A summary of the approach to remuneration in 2022 was as follows:

- The base salary level for the Chief Executive Officer (CEO) was increased by 3.17% from 1 January 2022 (his first salary increase since appointment in 2017). The Chief Financial Officer (CFO) did not receive a salary increase given his recent appointment to the Board in May 2021.
- The annual bonus operated in line with policy, with a maximum potential of 200% of salary for the CEO and 175% of salary for the CFO. The bonus was based on revenue, profit before tax and free cash flow (all equally weighted and totalling 80% of maximum bonus), with 20% based on strategic/individual objectives.
- RSAs were granted under the Capita Executive Plan in April 2022 at 100% of salary for both the CEO and CFO. Further details of the 2022 RSAs are set out in the annual report on remuneration.

Annual bonus for 2022

Following a review of performance against the annual bonus targets by the committee, annual bonuses of 60% of maximum were awarded to the CEO and CFO in respect of the year ended 31 December 2022. Revenue performance was between threshold and target and PBT and free cash flow performance were both between target and stretch. However, following a review of the broader stakeholder experience when assessing performance against the financial targets that were set, and noting the utilisation of an invoice discounting facility to a greater extent than had been assumed in the business plan, the committee exercised negative discretion post year end to reduce the free cash flow element to a target payout. Strategic/individual objectives were considered to have been met to a significant extent. Further details in respect of this performance assessment and the application of negative discretion are set out on pages 112 to 115.

After consideration of the progress made by Capita during 2022 in respect of the delivery of the strategy and individual performance, the committee believes that a 60% of maximum annual bonus award to the CEO and CFO for 2022 are both proportionate and appropriate.

Consistent with the shareholder approved remuneration policy, 50% of the bonus awards will be deferred into Capita plc shares for three years.

2020 LTIP award

The LTIP award granted to Jon Lewis in April 2020, which is due to vest in April 2023, will vest at 15% of the maximum opportunity as a result of the strong performance against the customer satisfaction and supplier targets (which are considered to be critical underpins to the performance and improvement of the business) over the three years to 31 December 2022. Further details in respect of this performance assessment and the estimated pre-tax value of the awards at vesting are set out on page 115.

Total remuneration

The committee is satisfied that total remuneration awarded to the CEO and CFO in respect of 2022 was appropriate when Capita's strategic progress and the stakeholder experience more generally in 2022 are considered.

Use of discretion

The committee retains the right to exercise discretion to override formulaic outcomes and ensure that the level of bonus and/or share award payable is appropriate. It may also use its judgement to adjust outcomes to ensure that any payments made reflect overall Company performance and stakeholder experiences more generally. Where discretion is exercised, the rationale for this discretion will be fully disclosed to shareholders in the relevant annual report. A summary of the discretion exercised by the committee over the last three years, is set out below:

	2020	2021	2022
Annual bonus	In light of the impact of Covid-19, the annual bonus plan was withdrawn for 2020 for the executive directors (plus the executive committee and selected senior managers) before the targets were agreed.	The committee did not consider further application of downward discretion to be necessary or appropriate in 2021 following a review of Group and individual performance, the general stakeholder experience and noting discretion exercised in 2019 and 2020.	**Annual bonus awards for the CEO and CFO for the year ended 31 December 2022 were reduced from 69% to 60% of the maximum, see page 115.**
Share awards	2020 LTIP award levels were reduced by around 70% compared with normal grant levels. In addition, and to reflect underlying financial and operational performance, the committee applied downward discretion when assessing the vesting of the 2018 LTIP.	2021 RSA levels were reduced from the normal policy grant level by around 17%.	**The 2022 RSA level for the CEO was reduced from the normal award level of 150% of salary to 100% of salary, see page 116.**

Board changes in 2022

Nneka Abulokwe was appointed as a non-executive director on 1 February 2022. David Lowden was appointed Chairman on 11 May 2022 following Sir Ian Powell's resignation as Chairman and non-executive director on 10 May 2022. Georgina Harvey was appointed Senior Independent Director on 1 July 2022 following David Lowden's appointment as Chairman.

Brian McArthur-Muscroft was appointed non-executive director and Janine Goodchild was appointed employee non-executive director on 1 June 2022 and 1 July 2022 respectively. Lyndsay Browne and Joseph Murphy stepped down as employee non-executive directors and Matthew Lester stepped down as non-executive director on 30 June 2022.

Remuneration policy for 2023

Following shareholder approval of the policy at the 2021 AGM and support received at the 2022 AGM, no policy changes are being proposed at the 2023 AGM. See pages 104 to 109 for a summary of the current approved policy. A new policy will be put to shareholders for approval at the 2024 AGM.

Implementing the policy for 2023

The committee's intended approach to the implementation of the policy for 2023 is set out below.

Fixed remuneration: the committee is mindful of the need for pay restraint at senior management levels in the current economic environment. As such, and consistent with the approach adopted for the majority of senior executives across Capita, executive directors will not receive an increase in salary in 2023. No changes will be made to benefit provision and executive directors will continue to receive a workforce-aligned pension allowance (5% of salary) in line with other employees.

2023 annual bonus: maximum annual bonus potential will continue to operate at 200% (CEO) and 175% (CFO) of salary. The financial performance metrics will be based on revenue, profit before tax and free cash flow (all equally weighted and totalling 80% of maximum bonus). The remaining 20% of maximum bonus will continue to be based on strategic/individual objectives incorporating ESG targets. To the extent that the threshold profit before tax target is not met, the committee will consider whether it is appropriate to pay out a bonus under the strategic/individual objectives and may exercise discretion to reduce pay out under these elements (including to zero) if considered appropriate.

2023 RSAs: the 2023 RSAs to be granted to executive directors in March 2023 will:

- be set at a maximum of 150% of salary for the CEO and 100% of salary for the CFO;
- normally vest after three years from grant subject to: (i) continued employment; (ii) satisfactory personal performance during the relevant vesting periods; and (iii) a positive assessment of performance against two underpins (see below); and
- deliver shares that, once vested, may not normally be sold until at least six years from the grant date (other than to pay relevant taxes).

In respect of the underpins for the 2023 awards:

- underpin 1: Capita's TSR over the three years ending 31 December 2025 must be positive for any RSAs granted to executive directors to vest; and
- underpin 2: the committee must be satisfied with the underlying performance of Capita and that there have been no environmental, social or governance issues resulting in material reputational damage. If this is not deemed to be met, the committee will consider a reduction to the final vesting level of the RSAs (including to nil).

While the committee had originally intended to move to a more market standard approach to underpinning performance by the sole operation of underpin 2, a share price underpin will be retained for the 2023 RSAs. In addition, the committee will consider values at vesting to ensure they are reflective of Capita performance over the vesting period.

The actual number of shares under award will be determined just prior to the date of grant and full details will be in the RNS issued immediately following grant.

Shareholder views

The committee engaged with our major shareholders and the main representative bodies during 2022 in advance of the AGM. Support was strong with a 98% vote in favour of the report at the 2022 AGM. That said, the committee did note concerns from a number of shareholders and proxy agencies regarding the annual bonus awards for 2021 in light of the furlough support received. In response to the feedback received, and as stated in the RNS announcing the 2022 AGM voting results, Capita has committed to repay all furlough support taken during 2021 no later than the first half of 2023.

Employee engagement

In 2022, Jon Lewis regularly communicated with all employees, including on our 2021 financial results. Employees are able to submit any questions about the Company, including in relation to the directors' remuneration policy and report, pay and benefits, both online and during live employee briefings.

Following the appointment to the board of a new employee non-executive director during 2022, it was determined that this role would no longer be a member of the committee to avoid any independence issues. However, the new employee non-executive director attends committee meetings by invitation and is therefore able to provide colleague perspective on remuneration to the Board.

During 2022, the committee has continued to evolve the process of engaging with the workforce on how executive remuneration aligns with wider company pay policy, in compliance with the Code. A session was held with the chairs and co-chairs of the Capita employee network groups in mid-2022. In addition, a further session was held with a cross-section of employees from different levels, divisions and territories within the Capita Group in December 2022. Both sessions were chaired by Georgina Harvey and covered the work of the committee, how executive remuneration is linked to performance, strategy on workforce pay and progression and how Capita executive pay policy links to wider company pay policy including how each element of the remuneration package cascades down the business. These sessions provide an opportunity for questions and answers and the provision of feedback is encouraged. Further workforce engagement sessions will take place during 2023.

Concluding thoughts

As Capita continues to make material progress under our new, simpler, more client-focused divisional structure, the committee is satisfied that the remuneration policy has operated as intended to help ensure that the senior management team is appropriately retained and incentivised. The committee will continue to listen to the views of our shareholders in respect of remuneration and, as such, welcomes all input as it starts to consider its approach to reviewing the policy at the 2024 AGM.

I hope you find this report to be clear and helpful in understanding our remuneration practices and that you will be supportive of the advisory vote to approve the annual report on remuneration.

Finally, I would like to thank our shareholders for their ongoing support.

Georgina Harvey
Chair
Remuneration Committee
2 March 2023

Directors' remuneration policy

This part of the remuneration report sets out a summary of our remuneration policy which was approved by shareholders at, and took effect from, the 2021 AGM. The full policy approved by shareholders at the 2021 AGM is presented in the Annual Report 2020. No changes to the policy are proposed for 2023. The information provided in this section of the remuneration report is not subject to audit.

Responsibilities and activities of the Remuneration Committee

The committee is responsible for determining and agreeing with the Board the remuneration policy for the executive directors, executive committee members and the Chief General Counsel and Company Secretary role, including setting the overarching principles, parameters and governance framework and determining each remuneration package. In addition, the committee reviews remuneration for the wider workforce and related policies and the alignment of incentives and rewards with culture. The committee also sets the Chairman's fee.

In setting the remuneration policy for the executive directors, executive committee members and the Chief General Counsel and Company Secretary role, the committee ensures that the arrangements are in the best interest of both the Group and its shareholders, by taking into account the following general principles:

- To ensure total remuneration packages are simple and fair in design so that they are valued by participants.
- To ensure that total remuneration strongly reflects performance.
- To balance performance-related pay between: the achievement of financial performance objectives and delivering sustainable performance; creating a clear connection between performance and reward; and providing a focus on sustained improvements in profitability and returns.
- To provide a significant proportion of remuneration in shares, allowing senior management to build a significant shareholding in the business and, therefore, aligning management with shareholders' interests and the Group's performance, without encouraging excessive risk taking.

Consideration of shareholder views

The Company is committed to maintaining good communications with shareholders. It considers the AGM to be an opportunity to communicate with shareholders, giving them the opportunity to raise any issues or concerns they may have. In addition, the committee seeks to engage directly with major shareholders and the main representative bodies, should any material changes be proposed to the policy.

Consideration of our people

When determining executive director remuneration policy and practices, the committee reviews workforce remuneration and related policies and the alignment of incentives and rewards with culture to ensure that workforce pay and conditions are taken into account when setting the pay of executive directors and senior management.

Remuneration policy table

The following table sets out the key aspects of the policy.

Base salary

Purpose and link to strategy	Operation	Maximum opportunity	Performance framework
To attract and retain talent by ensuring base salaries are sufficiently competitive.	Normally reviewed annually in December, with any changes usually effective in January. The committee may award salary increases at other times of the year if it considers it to be appropriate. The review takes into account: • Salaries in similar companies and comparably-sized companies • Remuneration policy • Economic climate • Market conditions • Group performance • The role and responsibility of the individual director • Employee remuneration across the broader workforce.	There is no prescribed maximum monetary annual increase to base salaries. Any annual increase in salaries is at the discretion of the committee, taking into account the factors stated in this table and the following principles: • Salaries would typically be increased at a rate consistent with the average salary increase (in percentage of salary terms) for the broader workforce. • Larger increases may be considered appropriate in certain circumstances (including, but not limited to, a change in an individual's responsibilities or in the scale of their role or in the size and complexity of the Group). • Larger increases may also be considered appropriate if a director has been initially appointed to the Board at a lower than typical salary.	Individual and business performance are considerations in setting base salaries.

Benefits

Purpose and link to strategy	Operation	Maximum opportunity	Performance framework
Designed to be consistent with benefits available to employees in the Group.	Benefits include car allowance, private medical insurance, travel and property hire. Executive directors can also participate in all-employee share plans. The committee has discretion to add additional benefits which are not currently provided, such as relocation expenses.	Benefit provision varies between different executive directors. While there is no maximum level set by the committee, benefits provision will be set at a level the committee considers appropriate and be based on individual circumstances. Participation in the Company's HMRC-approved all-employee share plan will be limited by the maximum level prescribed by HMRC.	Not performance-related.

Pension

Purpose and link to strategy	Operation	Maximum opportunity	Performance framework
Consistent with benefits available to employees in the Group.	Pension contributions are paid into the Group's defined contribution scheme and/or as a cash allowance.	5% of salary.	Not performance-related.

Annual bonus

Purpose and link to strategy	Operation	Maximum opportunity	Performance framework
Performance measures are selected to focus executives on delivery of the Group business plan for the financial year.	The bonus measures and targets are reviewed annually to ensure that bonus opportunity and performance measures continue to support the business plan. Stretching targets are set at the start of each financial year. Performance against targets is reviewed following completion of the final accounts for the period under review. 50% of any bonus earned (net of tax) is normally delivered in shares deferred for three years, with the remainder delivered in cash or deferred shares at the executive director's discretion. An additional payment may be made at the time of vesting in respect of dividends that would have accrued on deferred shares during the deferral period. Malus and clawback provisions apply to all annual bonus and deferred bonus share awards for a period of up to three years after the determination of the annual bonus.	200% of salary.	Performance is normally measured over a one-year period relative to challenging targets for selected measures of Group financial, strategic and/or individual performance. The majority of the bonus will be determined by measure(s) of Group financial performance A sliding scale is set for each Group financial measure: 50% of the bonus will be paid at target performance, increasing to 100% for maximum performance. Any bonus payout is ultimately at the discretion of the committee, and the amount of any bonus that would be determined based on performance may be reduced if the committee believes this better reflects the underlying performance of Capita over the relevant period.

Restricted share awards

Purpose and link to strategy	Operation	Maximum opportunity	Performance framework
Designed to reward and retain executives over the longer term while aligning their interests with those of shareholders. To link reward to longer-term performance. To encourage share ownership.	Awards will normally vest after three years from grant and, once vested, shares may not normally be sold until at least six years from the grant date (other than to pay relevant taxes). Dividends or dividend equivalents may accrue over the vesting period and any holding period but only to the extent awards vest. Malus and clawback provisions apply to awards for a period up to the fifth anniversary of grant.	150% of salary.	Vesting will be subject to: (i) continued employment; (ii) satisfactory personal performance during the relevant vesting periods; and (iii) a positive assessment of performance against one or more underpins. In addition, the committee may reduce the extent to which an award vests if it believes this better reflects the underlying performance of Capita over the relevant period.

Shareholding guidelines

Purpose and link to strategy	Operation	Maximum opportunity	Performance framework
To align interests of management and shareholders and promote a long-term approach to performance and risk management.	Shareholding guidelines require executive directors to reach a specified shareholding. Executive directors are required to retain 100% of any shares from deferred bonus awards, RSAs (or LTIPs as granted under the previous policy) on vesting (net of tax) until the guideline level is achieved. Post-cessation guidelines apply to share awards granted following the 2020 AGM. In determining the relevant number of shares to be retained post cessation, shares acquired from own purchases, any buyout awards and share awards granted prior to the 2020 AGM will not be counted.	**In employment:** 300% of salary (CEO); 200% of salary (CFO). **Post cessation:** 100% of the relevant guideline between cessation and the second anniversary of cessation (or the actual shareholding if the guideline has not been met at cessation).	Not performance-related.

Non-executive director (NED) fees

Purpose and link to strategy	Operation	Maximum opportunity	Performance framework
Market competitive fees are set so as to attract and retain non-executive directors with required skills, experience and knowledge so that the Board can effectively carry out its responsibilities.	Reviewed periodically by the Board. Fee levels set by reference to market rates, taking into account the individual's experience, responsibilities, time commitment and pay decisions for the broader workforce. NED fees comprise payment of an annual basic fee and additional fees for further Board responsibilities such as: • Senior independent director • Audit and Risk Committee chair • Remuneration Committee chair • The Chairman of the Board receives an all-inclusive fee. Additional fees/allowances may also be paid for intercontinental travel for business purposes where appropriate. No NED participates in the Group's incentive arrangements or pension plan or receives any other benefits other than where travel to the Company's registered office is recognised as a taxable benefit in which case a NED may receive grossed-up costs of travel as a benefit.	As per the executive directors, there is no prescribed maximum monetary annual increase. Fees are limited to an aggregate annual sum of £1m increased only to take account of the effect of inflation as measured by the retail price index or such index as the directors consider appropriate or such other amount as the Company may by ordinary resolution decide.	Not performance-related.

The annual bonus performance measures are Group financial, strategic or individual measures which are selected annually to be consistent with key priorities for the Group.

Targets are normally set on sliding scales that take account of internal strategic planning and external market expectations for the Company.

Only modest rewards are available for achieving threshold performance with maximum rewards requiring substantial outperformance of challenging strategic plans approved at the start of each year.

The committee operates share-based arrangements for the executive directors in accordance with their respective scheme rules, the Listing Rules and the HMRC rules where relevant. The committee, consistent with market practice and the scheme rules, retains discretion over a number of areas relating to the operation and administration of the plans. These include (but are not limited to) the following:

- Who participates
- The form in which the award is granted and settled (eg shares, nil cost options, cash)
- The timing of the grant of award and/or payment
- The size of an award (up to individual and plan limits) and/or a payment
- Discretion relating to the measurement of any performance target/underpin and pro-rating of awards in the event of a 'good leaver' scenario or a change of control or reconstruction of the Company
- Determination of whether or not a person is characterised as a good leaver (in addition to any specified categories) for incentive plan purposes
- Adjustments required in certain circumstances (eg share capital variation, rights issues, demerger, corporate restructuring, special dividends)
- The ability to vary or substitute any performance condition(s)/underpins if circumstances occur which cause it to determine that the original condition(s) have ceased to be appropriate, provided that any such variation or waiver is fair, reasonable and not materially less difficult to satisfy than the original condition (in its opinion). In the event that the committee were to make an adjustment of this sort, a full explanation would be provided in the next remuneration report
- The ability to reduce the vesting level of awards (including to nil) where the Committee determines it is appropriate to do so.

The committee reserves the right to make any remuneration payments and/or payments for loss of office (including exercising any discretions available to it in connection with such payments) notwithstanding that they are not in line with the policy set out above where the terms of the payment were agreed: (i) before the policy set out above came into effect, provided that the terms of the payment were consistent with the shareholder-approved directors' remuneration policy in force at the time they were agreed; or (ii) at a time when the relevant individual was not a director of the Company and, in the opinion of the committee, the payment was not in consideration for the individual becoming a director of the Company. For these purposes payments includes the committee satisfying awards of variable remuneration and, in relation to an award over shares, the terms of the payment are 'agreed' at the time the award is granted. The committee retains discretion to make minor amendments to the policy set out in this policy report (for regulatory, exchange control, tax or administrative purposes or to take account of a change in legislation) without obtaining shareholder approval for that amendment.

Malus and clawback

Malus and clawback provisions apply to all incentive awards granted to executive directors. These provisions permit the committee to reduce or recover bonus awards (including deferred shares) for up to three years after the determination of the annual bonus and to reduce or recover RSA awards (and LTIP awards granted under the previous policy) up to the fifth anniversary of grant. The potential circumstances in which malus or clawback provisions can be applied include:

- material misstatement of a Group company's financial results
- a participant deliberately misleads relevant parties regarding financial performance
- serious misconduct or conduct which causes significant financial loss
- overpayments due to material abnormal write-offs of an exceptional basis
- an error was made, or inaccurate or misleading information was used to determine the value of an award
- reputational damage
- material failure of risk management
- corporate failure or the occurrence of an insolvency event.

Application of our remuneration policy

When determining executive director remuneration policy and practices, the committee reviews workforce remuneration and related policies, and the alignment of incentives and rewards with culture.

Share awards are granted to senior management in order to encourage a high level of employee share ownership albeit remuneration is more heavily weighted towards long-term variable pay for executive directors than other employees. This is to ensure that there is a clear link between the value created for shareholders and the remuneration received by the executive directors. The committee did not consult with employees formally in respect of the design of the policy, although the two employee non-executive directors at that time (one as a committee member and one by invitation to the committee) were involved in the committee's discussions.

Directors' recruitment and promotions

The committee takes into account the need to attract, retain and motivate the best person for each position, while at the same time ensuring a close alignment between the interests of shareholders and management.

If a new executive director were to be appointed on a permanent basis, the committee would seek to align their remuneration package with other executive directors in line with the policy table. However, flexibility would be retained to make 'buyout' awards or payments in respect of remuneration arrangements and contractual terms forfeited on leaving a previous employer. In such circumstances, the committee would look to replicate the arrangements being forfeited as closely as possible and, in doing so, would take account of relevant factors including the nature of the remuneration and contractual terms, performance conditions and the time over which they would have vested or been paid.

If appropriate, a new appointee's incentives in their year of joining may be subject to different targets than for other executive directors. The committee may also agree that the Company will meet certain relocation and incidental expenses, as it considers appropriate.

The maximum level of variable remuneration which may be granted (excluding awards to compensate for remuneration arrangements and contractual terms forfeited on leaving the previous employer) to new executive directors in the year of recruitment shall be limited to 350% of salary (the maximum limit permitted within the policy table).

The initial notice period for a service contract may be up to 24 months, which is longer than that stated in the policy of a 12-month notice period, provided it reduces to 12 months within a short space of time.

For an internal appointment or an appointment following the Company's acquisition of or merger with another company, any incentive amount awarded in respect of a prior role may be allowed to vest on its original terms, or adjusted as relevant to take into account the appointment. Any other ongoing remuneration obligations or terms and conditions existing prior to appointment may continue.

The committee retains discretion to make appropriate remuneration decisions outside the standard policy to meet the individual circumstances of recruitment when:

- An interim appointment is made to fill an executive director role on a short-term basis.
- Exceptional circumstances require that the Chairman or a non-executive director takes on an executive function on a short-term basis.

In the event of the appointment of a new non-executive director, remuneration arrangements will normally be in line with the structure set out in the policy table for non-executive directors. However, the committee (or the Board as appropriate) may include any element listed in the policy table or any other element which the committee considers is appropriate given the particular circumstances excluding any variable elements, with due regard to the best interests of shareholders.

Directors' service agreements and payments for loss of office

The committee regularly reviews the contractual terms of the service agreement to ensure these reflect best practice.

The service contracts for executive directors are for an indefinite period and provide for a 12-month notice period. They do not include provisions for predetermined compensation on termination that exceed 12-months' salary, pension and benefits. There are no arrangements in place between the Company and its directors that provide for compensation for loss of office following a takeover bid. All directors are appointed for an indefinite period but are subject to annual re-election at the annual general meeting.

In circumstances of termination on notice, the committee will determine an equitable compensation package, having regard to the particular circumstances of the case. The committee reserves the right to make payments in connection with a director's cessation of office or employment where the payments are made in good faith in discharge of an existing legal obligation (or by way of damages for breach of such an obligation) or by way of a compromise or settlement of any claim arising in connection with the cessation of a director's office or employment. Any such payments may include, but are not limited to, paying any fees for outplacement assistance and/or the director's legal and/or professional advice fees in connection with his cessation of office or employment. The committee has discretion to require notice to be worked or to make payment in lieu of notice or to place the director on garden leave for some or all of the notice period. Any payment in lieu of notice will be reduced for any period of time worked post notice being given or received.

The annual bonus may be payable for a good leaver (as defined in the plan rules) in respect of the period of the bonus plan year worked by the director; there is no provision for an amount in lieu of bonus to be payable for any part of the notice period not worked. Bonus payments would normally be paid at the normal payment date.

On cessation, an executive director's share plan entitlements will be determined in accordance with the rules of the relevant plan.

Unvested deferred share awards will normally lapse on the earlier of notice being given/received and cessation. However, the committee has discretion to allow awards to instead continue to vest in full on the normal vesting date (or earlier at the discretion of the committee) for a good leaver (as defined in the relevant plan rules).

In respect of RSAs/LTIPs, unvested awards will normally lapse on the earlier of notice being given/received and cessation. However, the committee has discretion to allow awards to instead continue to vest on the normal vesting date (or earlier at the discretion of the committee) to the extent any performance conditions/underpins attached to the relevant award are satisfied at vesting. In such cases awards will, other than in exceptional circumstances, be scaled back on a time pro-rated basis and post-vesting holding periods would normally apply.

In the event of a change of control, all unvested LTIP awards/RSAs would (unless rolled over) vest, to the extent that any performance conditions/underpins attached to the relevant awards have been achieved. Awards would normally be subject to time pro-rating (unless the committee determines otherwise).

Unvested deferred share awards would vest in the event of a change of control (unless rolled over). Shares held within the share ownership plan will be removed from the plan or exchanged for replacement shares in accordance with the scheme rules and HMRC guidelines.

Non-executive directors' terms of engagement

Non-executive directors are appointed by letter of appointment for an initial period of three years. Each appointment is terminable by three months' notice on either side. At the end of the initial period, the appointment may be renewed by mutual consent, subject to annual re-election at the AGM.

Employee non-executive directors' terms of engagement

Employee non-executive directors are appointed by letter of appointment for an initial period of two to three years. Each appointment is terminable by one month's written notice on either side. At the end of the initial period, the appointment may be renewed by mutual consent, subject to annual re-election at the AGM.

Inspection of service agreements/letters of appointment

The service agreements and non-executive directors' letters of appointment are available for inspection during normal business hours at the Company's registered office, and available for inspection at the AGM.

Annual report on remuneration

This part of the remuneration report has been prepared in accordance with The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended) and paragraphs 9.8.6R and 9.8.8 of the Listing Rules. The annual report on remuneration will be put to an advisory shareholder vote at the 2023 AGM. The information on pages 110 to 122 has been audited as indicated.

FIT Remuneration LLP was appointed by the committee during 2020 to provide independent advice on executive remuneration matters. During the year, the committee received independent and objective advice from FIT primarily on market practice, governance updates, the operation of the remuneration policy, shareholder/proxy feedback and voting in respect of the 2022 AGM and remuneration-related disclosure within the accounts. FIT's fees were £79,653 (excluding VAT) during 2022 for its services (charged on a time plus expenses basis). The fees were considered appropriate for the work undertaken. No other services were provided to the Group by FIT.

FIT is a founding member of the Remuneration Consultants Group and, as such, operates voluntarily under the code of conduct in relation to executive remuneration consulting in the UK. The committee considers FIT's advice on remuneration to be independent and objective, and there is no connection with the Company or individual directors.

The committee also consulted with the CEO, CFO, the Chief People Officer and the Group Reward Director to provide further information to the committee on the performance and proposed remuneration for the executive directors and other senior management, but not in relation to their own remuneration.

The work of the committee is detailed in the annual statement.

Shareholder voting at the AGM

The 2022 directors' remuneration report will be presented to shareholders at the 2023 AGM. At the 2022 AGM, the actual voting in respect of the ordinary resolution to approve the remuneration report for the year ended 31 December 2021 is set out below together with the vote on the current remuneration policy approved at the 2021 AGM.

	Votes cast for	Votes cast against	Abstentions[1]
Directors' remuneration report, other than the part containing the directors' remuneration policy, for the year ended 31 December 2021	1,148,723,621	23,356,565	3,956,217
	98.01%	1.99%	
Directors' remuneration policy (2021 AGM)	1,254,719,423	37,105,242	108,597
	97.13%	2.87%	

1. A vote abstained is not a vote in law and is not counted in the calculation of the proportion of votes 'for' and 'against' a resolution.

Policy implementation for 2023

Details of the committee's intended approach to the implementation of the policy for 2023 is set out in the annual statement.

Fees for the Chairman, senior independent director, non-executive directors and employee non-executive director

A summary of the fees for 2023 are as follows:

	Annual fee from 1 January 2023
David Lowden, Chairman	£290,000
Georgina Harvey, Senior Independent Director and Remuneration Committee Chair	£85,500
Brian McArthur-Muscroft, Audit and Risk Committee Chair	£75,000
Nneka Abulokwe	£64,500
John Cresswell	£64,500
Neelam Dhawan	£64,500
Janine Goodchild	£64,500

Following a review of the Chairman's fee, including his anticipated time commitment, David Lowden was appointed on an annual fee of £290,000. This is lower than the fee of his predecessor, Sir Ian Powell (£325,000). Fees for non-executive directors, the senior independent director and committee chairs are unchanged from 2022.

Directors' remuneration earned in 2022 – single-figure table (audited)

The table below summarises directors' remuneration received in 2022 (with prior year comparators).

		Base salary and fees £	Benefits[1] £	Pension £	Annual bonus £	LTIP £	RSA £	**Total remuneration £**	Total fixed remuneration £	Total variable remuneration £
David Lowden[2]	**2022**	213,447	839	–	–	–	–	**214,286**	214,286	0
	2021	75,000	–	–	–	–	–	**75,000**	75,000	0
Jon Lewis[3]	**2022**	748,000	17,986	37,400	897,600	66,986	–	**1,767,972**	803,386	964,586
	2021	725,000	18,837	36,250	359,020	46,308	–	**1,185,415**	780,087	405,328
Tim Weller[4]	**2022**	545,000	18,399	27,250	572,250	–	–	**1,162,899**	590,649	572,250
	2021	299,337	9,588	14,967	135,296	–	–	**459,188**	323,892	135,296
Georgina Harvey[5]	**2022**	80,250	–	–	–	–	–	**80,250**	80,250	0
	2021	75,000	–	–	–	–	–	**75,000**	75,000	–
Brian McArthur-Muscroft[6]	**2022**	42,875	–	–	–	–	–	**42,875**	42,875	0
	2021	–	–	–	–	–	–	**–**	–	0
Nneka Abulokwe[7]	**2022**	59,125	193	–	–	–	–	**59,318**	59,318	0
	2021	–	–	–	–	–	–	**–**	–	0
John Cresswell	**2022**	64,500	–	–	–	–	–	**64,500**	64,500	0
	2021	64,500	–	–	–	–	–	**64,500**	64,500	0
Neelam Dhawan[8]	**2022**	64,500	25,599	–	–	–	–	**90,099**	90,099	0
	2021	53,750	4,000	–	–	–	–	**57,750**	57,750	0
Janine Goodchild[9]	**2022**	32,250	–	–	–	–	–	**32,250**	32,250	0
	2021	–	–	–	–	–	–	**–**	–	0
Former Directors										
Sir Ian Powell[10]	**2022**	128,951	16	–	–	–	–	**128,967**	128,967	0
	2021	325,000	–	–	–	–	–	**325,000**	325,000	
Gordon Boyd[11]	**2022**	–	–	–	–	–	–	**–**	–	0
	2021	513,010	1,309	–	–	–	–	**514,320**	514,320	0
Patrick Butcher	**2022**	–	–	–	–	–	–	**–**	–	0
	2021	–	905	–	–	–	–	**905**	905	0
Matthew Lester[12]	**2022**	37,500	–	–	–	–	–	**37,500**	37,500	0
	2021	75,000	–	–	–	–	–	**75,000**	75,000	0
Baroness Lucy Neville-Rolfe[13]	**2022**	–	–	–	–	–	–	**–**	–	0
	2021	62,163	–	–	–	–	–	**62,163**	62,163	0
Gillian Sheldon[14]	**2022**	–	–	–	–	–	–	**–**	–	0
	2021	13,750	896	–	–	–	–	**14,646**	14,646	0
Andrew Williams[15]	**2022**	–	–	–	–	–	–	**–**	–	0
	2021	23,292	902	–	–	–	–	**24,194**	24,194	0
Lyndsay Browne[16]	**2022**	32,250	–	–	–	–	–	**32,250**	32,250	0
	2021	64,500	–	–	–	–	–	**64,500**	64,500	0
Joseph Murphy[16]	**2022**	32,250	–	–	–	–	–	**32,250**	32,250	0
	2021	64,500	–	–	–	–	–	**64,500**	64,500	–

1. Benefits include all taxable benefits as defined by paragraph 11(1) of the regulations. This includes private medical insurance, company car allowance, work travel and the value of matching share awards under the UK all-employee share scheme.
2. David Lowden was appointed Chairman on 11 May 2022 following the stepping down of Sir Ian Powell as Chairman and non-executive director on 10 May 2022. David stepped down from the position of senior independent director on his appointment as Chairman. Fees for 2022 reflect the change in roles and are shown on a pro-rata basis.
3. Details of the performance assessment and vesting of the 2020 LTIP award held by Jon Lewis are set out on page 115. The impact of share price movements on his awards, based on the average three-month share price to 31 December 2022 (25.23p), is as follows:

Face value of awards expected to vest, based on the share price at grant (1,770,000 shares x 15% x 32.72p)	£86,872
Expected value of awards at vesting (1,770,000 shares x 15% vesting x 25.23p)	£66,986
Impact of share price movements on vesting values	£19,886

The 2019 LTIP awards have been restated in the table above in respect of the prior year from £98,811 (based on a three-month average share price to 31 December 2021 of 44.34p) to £46,308 (based on a share price of 20.78p as at the 21 March 2022 vesting date). RSAs granted to Jon Lewis and Tim Weller in May 2021 and April 2022 with performance underpins, will be disclosed in the year ending just prior to the normal vesting date.

4. Tim Weller was appointed CFO on 12 May 2021. His remuneration for 2021 is shown from the date of his appointment to 31 December 2021, albeit reflecting a period of unpaid leave. The benefits figure for 2022 includes an element of backdated car allowance (£1,342) which was underpaid in 2021.
5. Georgina Harvey was appointed Senior Independent Director on 1 July 2022 following David Lowden's appointment as Chairman. Fees for 2022 reflect the change in role part way through the year.
6. Brian McArthur-Muscroft was appointed as a non-executive director on 1 June 2022 and replaced Matthew Lester as Chair of the Audit and Risk Committee on 1 July 2022. Fees for 2022 are shown from 1 June 2022 to 31 December 2022 and reflect his appointment as chair of a committee from 1 July 2022.
7. Nneka Abulokwe was appointed as a non-executive director on 1 February 2022. Fees for 2022 are shown from 1 February 2022 to 31 December 2022.
8. Neelam Dhawan was appointed as a non-executive director on 1 March 2021. Fees for 2021 are shown from 1 March 2021 to 31 December 2021. Neelam is based outside the UK and receives an allowance for physical attendance at a Board meeting. This is shown in the benefits column.
9. Janine Goodchild was appointed as employee non-executive director on 1 July 2022. Fees for 2022 are shown from 1 July 2022 to 31 December 2022. In addition to her fee as an employee non-executive director, she received earnings from the Group as an employee amounting to £24,421 for the period 1 July 2022 to 31 December 2022.
10. Sir Ian Powell stepped down as Chairman and non-executive director on 10 May 2022. Fees for 2022 are shown from 1 January 2022 to 10 May 2022 and include an element of accrued holiday pay.
11. Gordon Boyd stepped down from the Board and as interim CFO on 12 May 2021 following the appointment of Tim Weller. Reflecting the interim nature of Gordon's role, he received a base salary (£100,000 per month) but was not eligible for any variable remuneration and did not receive pension contributions. The figures disclosed for 2021 are for the period 1 January 2021 to 12 May 2021 and include an element of accrued holiday pay.
12. Matthew Lester stepped down as a non-executive director on 30 June 2022. Fees for 2022 are shown from 1 January 2022 to 30 June 2022.
13. Baroness Lucy Neville-Rolfe stepped down as a non-executive director on 14 December 2021. Fees disclosed for 2021 are for the period from 1 January 2021 to 14 December 2021.
14. Gillian Sheldon stepped down as a non-executive director on 28 February 2021. Fees disclosed for 2021 are for the period from 1 January 2021 to 28 February 2021 and include an element of accrued holiday pay.
15. Andrew Williams stepped down as a non-executive director on 11 May 2021. Fees disclosed for 2021 are for the period from 1 January 2021 to 11 May 2021.
16. Lyndsay Browne and Joseph Murphy stepped down as employee directors on 30 June 2022. Fees for 2022 are shown from 1 January 2022 to 30 June 2022. In addition to their fee as an employee non-executive director, both received earnings from the Group as an employee amounting to £54,763 for Lyndsay Browne and £35,605 for Joseph Murphy for the period from 1 January 2022 to 30 June 2022. As part of his participation in the Capita share ownership scheme Joseph Murphy received 504 matching shares (£135). The value of the matching shares is the sum of the cost of purchase over the period 1 January 2022 to 30 June 2022. The figures for earnings and matching shares for 2021 are disclosed in footnote 7 of the single figure table in the 2021 report.

Annual bonus for 2022 (audited)

The annual bonus for 2022 was operated at normal levels (200% of salary for the CEO and 175% of salary for the CFO). The bonus was based on a combination of revenue, profit before tax (PBT) reported free cash flow (all equally weighted and totalling 80% of maximum bonus) and strategic/individual objectives (20% of maximum bonus). For each performance measure, 25% of bonus was payable for achieving the threshold target; 50% was payable for achieving target performance; with 100% of the bonus payable for achieving the maximum target. Details of performance against the financial and strategic/individual targets are set out below.

Financial targets (80% of the bonus)

	Weighting (% of maximum bonus)	Threshold target (25% vests)	Target (50% vests)	Stretch (100% vests)	Actual performance[1]	Achievement against financial performance weighting
Revenue	26.67%	£2,785m	£2,932m	£3,079m	£2,846m	35.3%
PBT	26.67%	£62m	£70m	£79m	£74m[2]	72.3%
Free cash flow	26.67%	£14m	£23m	£32m	£29m	50.0%[3]
Financial measures bonus payout	80%				42%	

1. Excluding the impact of 2022 disposals (and planned disposals which have met the criteria to be excluded as business exits)
2. Actual PBT performance includes a c.£4.9m accrual in respect of the Board's decision to repay UK Government furlough support in 2023 that was received by Capita during 2021 (effectively reducing the PBT payout from c.100% to c.72% of this part of the bonus award.
3. Following a review of the broader stakeholder experience when assessing performance against the financial targets that were set in respect of the year ended 31 December 2022, and noting the utilisation of an invoice discounting facility to a greater extent than had been assumed in the business plan, the committee exercised negative discretion post year end to reduce the free cash flow element from a c.83% payout for this part of the award to a target payout (ie a 50% payout for this part of the bonus award).

Strategic/individual objectives (20% of the bonus)

Achievement against the strategic and individual objectives represented 20% of the total annual bonus opportunity for each executive director. The objectives were focused on ESG measures incorporating customer, employee, diversity & inclusion and net zero and an individual role-based measure. The objectives and targets were aligned for both executive directors.

Jon Lewis and Tim Weller

Objectives	Weighting (% of maximum bonus)	Assessment: Threshold	Target	Maximum	Actual	Score (% of maximum bonus)
Customer – cNPS Deliver improvement in customer net promoter score (cNPS) for Capita Group (excluding Portfolio) by the end of 2022.	4%	Maintain score	+2 point improvement	+4 point improvement	**+8 point improvement (max)**	4%
		Following a review of cNPS in respect of the year ended 31 December 2022, which remains key to the delivery of Capita's strategy, the committee noted a significant improvement compared with the year ended 31 December 2021. As such, the committee was satisfied that this objective was met in full.				
Employee – eNPS Deliver improvement in employee net promoter score (eNPS) for Capita Group by the end of 2022.	4%	+2 point improvement	+5 point improvement	+10 point improvement	**+15 point improvement (max)**	4%
		Following a review of eNPS in respect of the year ended 31 December 2022, the committee was pleased to see a material improvement when compared with the 2021 outcome. As such, the committee was satisfied that this objective was met in full.				
Diversity & inclusion Meet/exceed Group diversity & inclusion hurdles. NB, If neither threshold target was met, there would have been no payout for this objective.	4%	Achieve minimum of 11% ethnic minority (including 2% Black)				2%
		11% (including 2% Black)	+4 point improvement	+8 point improvement	**13.9% ethnic minority (including 3% Black) (below target)**	
		Achieve minimum of female average representation across senior/middle management in the UK				
		38%	+4 point improvement	+8 point improvement	**+4 point improvement (target)**	
		In assessing this target, the committee noted that both hurdles were achieved with 13.9% ethnic minority (including 3% Black) and 41.8% female average representation across senior/middle management in the UK. Performance against the targets for the Inclusion Index was at target with a +4 improvement. The committee therefore considers this objective to be partially met.				

<table>
<tr><th>Objectives</th><th>Weighting (% of maximum bonus)</th><th colspan="4">Assessment</th><th>Score (% of maximum bonus)</th></tr>
<tr><td rowspan="3">Net zero
Ensuring all divisions and functions have plans in place which achieve the following: (i) ensure reporting on carbon emissions is built into the monthly performance review process (and an equivalent functional/ executive committee process) to raise awareness and familiarise all colleagues with the net zero challenge; (ii) agree baseline data and set targets for 2023 as part of the business planning process; and (iii) agree and start to deliver 'no regret' changes to reduce carbon emission in 2022.</td><td rowspan="3">4%</td><td>Threshold</td><td>Target</td><td>Maximum</td><td>Actual</td><td rowspan="3">4%</td></tr>
<tr><td>Emissions reporting established in the monthly performance review/ functional equivalent routine by year end and 2023 targets set</td><td>As for threshold but to include a detailed and executable plan for 2023–25 (first phase of net zero)</td><td>As target but to include demonstrable reduction in Capita's carbon footprint during the year</td><td>Met in full</td></tr>
<tr><td colspan="4">In assessing this target, the committee noted that emissions reporting had been successfully established in the monthly performance review process, a detailed and executable plan had been developed for 2023–25, and Capita's overall carbon footprint reduced by 16,323 tonnes CO_2e. As such, the committee was satisfied that this objective was met in full.</td></tr>
<tr><td rowspan="3">Debt reduction
Contribute to debt reduction through the successful execution of the 2022 divestment plan.</td><td rowspan="3">4%</td><td>Target</td><td>Maximum</td><td colspan="2">Actual</td><td rowspan="3">4%</td></tr>
<tr><td>Divest in accordance with the desired timeline and within the agreed price range</td><td>Divest in accordance with the desired timeline and deliver at the top end of the agreed price range</td><td colspan="2">Met in full</td></tr>
<tr><td colspan="4">In assessing this target, the committee noted the proceeds received from the divestment programme (together with the sale of Pay360) which were consistent with the Board's desired timelines and which resulted in a significant strengthening of Capita's balance sheet and reduced net debt position ahead of market expectations. As such, the committee was satisfied that this objective was met in full.</td></tr>
<tr><td>Total</td><td>20%</td><td colspan="4"></td><td>18% (out of 20%)</td></tr>
</table>

Summary of total 2022 bonus awards

	Jon Lewis		Tim Weller	
	% of maximum	% of salary	% of maximum	% of salary
Total financial	42%		42%	
Strategic/individual	18%		18%	
Total (%)	60%	120%	60%	105%
Total bonus (£)	£897,600		£572,250	

As noted on page 89, Capita established an ESG committee during 2022. One of the ESG committee's responsibilities is to review performance against ESG metrics in the MBP and to make recommendations to the committee on outturn. Following a review of financial and personal performance and the ESG committee recommendations by the committee post year end, annual bonuses of 60% of the maximum (reduced from 69% of the maximum following the committee's decision to reduce the free cash flow performance to a target performance level). This equates to 120% of salary for the CEO and 105% of salary for the CFO. Consistent with the shareholder approved remuneration policy, 50% of the bonus awards will be deferred into Capita plc shares for three years.

Long-term incentive awards due to vest in 2023 based on performance to 31 December 2022 (audited)

The performance assessment in respect of the 2020 LTIP awards[1] held by Jon Lewis is as follows:

Performance measure	Weighting	Threshold (25% vests)	Target (50% vests)	Stretch (100% vests)	Result	Vesting (% of maximum)
Relative TSR	75%	Median TSR performance vs the constituents of the FTSE 250 (excluding investment trusts)	Pro-rating vesting between median and upper quartile performance on a straight line basis between 25% and 100%	Upper quartile TSR performance vs the constituents of the FTSE 250 (excluding investment trusts)	Below median	0%
Responsible business scorecard:						
Customer	10%	3 point positive swing in NPS	6 point positive swing in NPS	9 point positive swing in NPS	20 point positive swing	10%
Employee	10%	3 point positive swing in NPS	6 point positive swing in NPS	9 point positive swing in NPS	Below threshold	0%
Suppliers adherence to prompt payment code	5%	–	Maintain current	Exceed current	Exceed	5%

1. The awards are subject to an underpin requiring the assessment of the underlying financial and operational performance of Capita over the performance period.

The TSR performance period runs for three years from the date of grant (16 April 2020) and therefore has not yet concluded. Based on performance to 31 December 2022, Capita's TSR performance against the FTSE 250 constituents (excluding investment trusts) was below median and therefore 0% of this part of the award is expected to vest. Actual vesting will be assessed at the end of the three-year performance period and any change in the vesting outcome and value of the LTIP 2020 for the purposes of the single figure of remuneration will be shown in next year's report.

While employee engagement has improved significantly during 2022, it fell below the threshold set for the 2020 LTIP award resulting in zero vesting for this element. However, performance against the customer NPS and supplier targets (which are considered to be critical underpins to the performance and improvement of the business) were very strong over the performance period. A 20 point positive swing in cNPS delivered full vesting of this element. In addition, adherence to the supplier prompt payment code exceeded the target set (with a record level of suppliers paid in less than 31 days) resulting in maximum vesting of this element.

Based on the customer and supplier performance, the committee believes that the 15% vesting is appropriate due to progress made in improving customer satisfaction and supplier payment scores.

In addition to noting that the 2020 LTIP award was reduced by 70% compared with normal award levels as a % of salary (which together with the subsequent share price decline has significantly impacted the estimated vesting value) and progress made in respect of the customer and supplier targets (both critical to the delivery of Capita's strategy), the committee also considered Capita's underlying performance over the three-year performance period. In this regard, it noted the material progress that has been made in delivering the strategy including the performance of the disposal programme, the significant strengthening of the balance sheet and strong operational delivery.

Based on the above outcomes, the estimated vesting of the long-term incentive for Jon Lewis in 2023 is:

	Awards granted	Shares vesting based on performance (15% of maximum)	Dividend equivalent shares[1]	Total shares expected to vest	Estimated value at vesting[2]
Jon Lewis	1,770,000	265,500	–	265,500	£66,986

1. No dividend equivalent shares are payable on the 2020 LTIP award.
2. Based on the average three-month share price to 31 December 2022 of 25.23p.

RSAs granted in 2022 (audited)

RSAs were granted under the Capita Executive Plan in April 2022 as follows:

Name of director	Number of shares awarded	Face value of RSA	Percentage of salary
Jon Lewis	3,481,985	£748,000	100%
Tim Weller	2,537,008	£545,000	100%

The CEO's award level was reduced from 150% to 100% of salary to reflect the prevailing share price at grant and noting the decision to continue to operate a TSR underpin for these awards (which was significantly underwater at the date of grant). No reduction was made to the CFO's award level given Tim Weller's recent recruitment and noting that the challenging TSR underpin was not originally intended to apply when the CFO's remuneration package was agreed in 2021.

RSAs granted to executive directors in 2022 will normally vest after three years from grant subject to: (i) continued employment; (ii) satisfactory personal performance during the relevant vesting periods; and (iii) a positive assessment of performance against two underpins (see below). Once vested, shares received may not normally be sold until at least six years from the grant date (other than to pay relevant taxes).

The underpins for the 2022 awards are as follows:

- underpin 1: Capita's TSR over the three years ending 31 December 2024 must be positive for any RSAs granted to executive directors to vest; and
- underpin 2: the committee must be satisfied with the underlying performance of Capita and that there have been no environmental, social or governance issues resulting in material reputational damage. If this is not deemed to be met, the committee will consider a reduction to the final vesting level of the RSAs (including to nil).

Directors' interests and shareholding guidelines (audited)

Executive directors are expected to hold 200% (300% for the CEO) of salary in shares in the Company. The guidelines include shares held beneficially and also shares within the deferred annual bonus (DAB) plan that have been deferred over the three-year period, RSA awards which are not subject to performance conditions/performance underpins and share awards which have vested but not yet been exercised. Any shares in the DAB, RSA awards which are not subject to performance conditions/performance underpins and vested but unexercised LTIP awards used for this are calculated net of tax. Share awards that are subject to performance conditions are not included.

The remuneration policy adopted in 2021 incorporated post cessation shareholding guidelines which require executive directors to retain 100% of the relevant guideline (or the actual shareholding if lower at cessation) until the second anniversary of the date of cessation.

	Beneficially held interests at 31 December 2022	Beneficially held interests at 31 December 2021	Interests in share incentive schemes, awarded without performance conditions at 31 December 2022	Interests in share incentive schemes, awarded without performance conditions at 31 December 2021	Interests in share incentive schemes, awarded subject to performance conditions/underpins at 31 December 2022	Interests in share incentive schemes, awarded subject to performance conditions at 31 December 2021	Interests in share option schemes where performance/vesting conditions have been met but not exercised at 31 December 2022	Interests in share option schemes where performance/vesting conditions have been met but not exercised at 31 December 2021	Percentage of shareholding target requirement at 31 December 2022[1]
David Lowden	150,000	75,000	–	–	–	–	–	–	–
Jon Lewis	1,414,538	795,303	868,456	516,029	7,421,085	5,721,886	738,877	1,183,666	25%
Tim Weller	270,689	262,854	327,276	–	3,619,703	1,082,695	–	–	10%
Georgina Harvey	6,000	6,000	–	–	–	–	–	–	–
Brian McArthur-Muscroft	0	–	–	–	–	–	–	–	–
Nneka Abulokwe	0	–	–	–	–	–	–	–	–
John Cresswell	65,500	20,500	–	–	–	–	–	–	–
Neelam Dhawan	0	–	–	–	–	–	–	–	–
Janine Goodchild	0	–	–	–	–	–	–	–	–
Sir Ian Powell[2]	100,000	100,000	–	–	–	–	–	–	–
Matthew Lester[2]	49,186	49,186	–	–	–	–	–	–	–
Lyndsay Browne[3]	11,241	11,240	–	–	–	–	–	–	–
Joseph Murphy[3]	14,431	11,379	–	–	–	–	–	–	–

1. Calculated using the closing share price on 31 December 2022 (24.26p).
2. Ian Powell and Matthew Lester's beneficially held interests are shown at the date of their resignations on 10 May 2022 and 30 June 2022 respectively.
3. Lyndsay Browne and Joseph Murphy's beneficially held interests are shown at the date of their resignation on 30 June 2022.

Between the end of the 2022 financial year and 1 March 2023, Jon Lewis and Tim Weller acquired 2,488 shares under the Capita share ownership plan, increasing their beneficial interest in ordinary shares of the Company to 1,415,782 and 271,933 respectively. Although Capita does not have a formal policy on hedging shares, executive and non-executive directors attest annually they have not pledged any shares held in the Company.

Share plans (audited)

DAB plan

A deferred award is the deferred element of an individual's annual bonus. Any deferral is made on a gross basis into deferred shares or as a (net of tax) restricted share award. The deferred shares are held for a period of three years from the date of award. This part is not subject to performance conditions.

Unvested DAB deferred/restricted awards at 31 December 2022[1]

Name of director	2022 award[2]	Total
Jon Lewis	868,456	868,456
Tim Weller	327,276	327,276

1. As a result of no bonus award for 2019 performance and no bonus operated for 2020, there were no deferred bonus awards in 2020 or 2021.
2. The value of the 2022 deferred award granted on 25 March 2022 was included in the annual bonus value in the 2021 single-figure table (and is included in the comparative figures for 2021 in the table on page 111). This award is due to vest on 25 March 2025.

Unvested LTIP award

Name of director	2020 award
Jon Lewis	1,770,000

Details of the performance targets and expected vesting in respect of the 2020 award are set out on page 115.

The performance targets and underpin for the 2020 LTIP award are as follows:

Performance underpin	Performance measure	Weighting	Threshold (25% vests)	Target (50% vests)	Stretch (100% vests)
Assessment of the underlying financial and operational performance of Capita over the performance period	Relative TSR	75%	Median TSR performance vs the constituents of the FTSE 250 (excluding investment trusts)	Pro-rating vesting between median and upper quartile performance on a straight line basis between 25% and 100%	Upper quartile TSR performance vs the constituents of the FTSE 250 (excluding investment trusts)
	Responsible business scorecard:				
	Customer	10%	3 point positive swing in NPS	6 point positive swing in NPS	9 point positive swing in NPS
	Employee	10%	3 point positive swing in NPS	6 point positive swing in NPS	9 point positive swing in NPS
	Suppliers adherence to prompt payment code	5%	–	Maintain current	Exceed current

Unvested restricted share awards

Name of director	2021 award	2022 award
Jon Lewis	2,169,100	3,481,985
Tim Weller	1,082,695	2,537,008

There are no performance targets attached to the RSAs. However, vesting is subject to: (i) continued employment; (ii) satisfactory personal performance during the relevant vesting periods; and (iii) a positive assessment of performance against two underpins (see below).

The underpins for the 2021 awards are as follows:

- underpin 1: Capita's TSR over the three years ending 31 December 2023 must be positive for any RSAs granted to executive directors to vest; and
- underpin 2: the committee must be satisfied with the underlying performance of Capita and that there have been no environmental, social or governance issues resulting in material reputational damage. If this is not deemed to be met, the committee will consider a reduction to the final vesting level of the RSAs (including to nil).

The underpins for the 2022 awards are as follows:

- underpin 1: Capita's TSR over the three years ending 31 December 2024 must be positive for any RSAs granted to executive directors to vest; and
- underpin 2: the committee must be satisfied with the underlying performance of Capita and that there have been no environmental, social or governance issues resulting in material reputational damage. If this is not deemed to be met, the committee will consider a reduction to the final vesting level of the RSAs (including to nil).

Satisfaction of options

When satisfying awards made under its share plans, the Company uses newly issued, treasury or purchased shares as appropriate.

Dilution

All awards are made under plans that incorporate the overall dilution limit of 10% in 10 years. The estimated dilution from existing awards, including executive and all-employee share awards, was approximately 4.26% of the Company's share capital at 31 December 2022.

Executive directors' service agreements

Executive directors	Date of joining the Company	Notice period
Jon Lewis	1 December 2017	12 months
Tim Weller	12 May 2021	12 months

Non-executive directors' terms of engagement

Non-executive directors	Date of joining the Board	Expiry date of current appointment
David Lowden[1]	1 January 2021	9 May 2025
Georgina Harvey[2]	1 October 2019	1 July 2025
Brian McArthur-Muscroft	1 June 2022	31 May 2025
Nneka Abulokwe	1 February 2022	31 January 2025
John Cresswell	17 November 2015	16 November 2024
Neelam Dhawan	1 March 2021	29 February 2024
Sir Ian Powell[1]	1 September 2016	10 May 2022
Matthew Lester[3]	1 March 2017	30 June 2022

1. David Lowden was appointed Chairman on 11 May 2022 and stepped down from his role as senior independent director. Sir Ian Powell stepped down from the Board as Chairman and non-executive director on 10 May 2022.
2. Georgina Harvey was appointed Senior Independent Director on 1 July 2022.
3. Matthew Lester stepped down from the Board on 30 June 2022.

Board changes

Sir Ian Powell and Matthew Lester stepped down from the Board on 10 May 2022 and 30 June 2022 respectively. No payments were made or are payable outside of their normal annual fees up to cessation. Lyndsay Browne and Joseph Murphy stepped down from the Board as employee non-executive directors on 30 June 2022. No payments were made or are payable outside of their normal annual fees up to cessation. However, they both remained employees and so continued to receive earnings from the Group as employees.

Payments to former directors (audited)

No payments were made to former directors.

External appointments for executive directors

During the year Jon Lewis served as a non-executive director for Equinor ASA. He received and retained fees of NOK 764,271 for the period from 1 December 2021 to 30 November 2022. Tim Weller is a non-executive director of The Carbon Trust for which he receives an annual salary of £17,000. The committee acknowledges these roles can benefit Capita through broadening Jon's and Tim's knowledge and experience.

Percentage change in remuneration levels

The table below shows the change in base compensation, benefits and annual bonus for the Board directors in the 2022 and 2021 financial years, compared with the average for all employees of the Company (Capita plc):

	2022			2021			2020		
	Base salary/fees	Taxable benefits[14]	Annual bonus	Base salary/fees	Taxable benefits[14]	Annual bonus	Base salary/fees	Taxable benefits[14]	Annual bonus
Executive directors[1]									
Jon Lewis[2]	**3.2%**	**-4.5%**	**150%**	14.3%	5.1%	100%[2]	-12.5%	-36.9%	–
Tim Weller[3]	**0%**	**23%**	**132%**	–	–	–	–	–	–
Gordon Boyd[4]	–	–	–	0%	100%	–	–	–	–
Patrick Butcher[5]	–	–	–	–	-100%	–	-12.5%	-10.8%	–
Non-executive directors[1]									
David Lowden[6]	**286.7%**	**100%**	–	–	–	–	–	–	–
Georgina Harvey[7]	**14%**	–	–	14.3%	–	–	-12.5%	–	–
Brian McArthur-Muscroft[8]	–	–	–	–	–	–	–	–	–
Nneka Abulokwe[8]	–	–	–	–	–	–	–	–	–
John Cresswell	**0%**	–	–	14.3%	–	–	-12.5%	–	–
Neelam Dhawan[9]	**0%**	**540%**	–	–	–	–	–	–	–
Janine Goodchild[8]	–	–	–	–	–	–	–	–	–
Sir Ian Powell[10]	**0%**	**100%**	–	14.3%	–	–	-12.5%	-100%	–
Matthew Lester[10]	**0%**	–	–	13.9%	–	–	-12.5%	–	–
Baroness Lucy Neville-Rolfe[11]	–	–	–	14.3%	–	–	-12.5%	–	–
Gillian Sheldon[11]	–	–	–	14.3%	100%	–	-12.5%	–	–
Andrew Williams[11]	–	–	–	14.3%	100%	–	-12.5%	–	–
Lyndsay Browne[12]	**0%**	–	–	14.3%	–	–	-12.5%	–	–
Joseph Murphy[12]	**0%**	–	–	14.3%	–	–	-12.5%	–	–
Employee population[13]	**5%**	**7.4%**	**38.1%**	2.8%	4.4%	123.2%	5.5%	20.6%	-35.2%

1. The percentage change shown for the directors is based on the single figure information disclosed on page 111. The increase in salary/fees shown as the comparative for 2021 is due to the voluntary reduction taken by executive and non-executive directors in 2020 in response to Covid-19.
2. Jon Lewis did not receive a bonus in 2020 as the bonus plan was cancelled in response to Covid-19. The increase in 2021 is therefore shown as 100%.
3. Tim Weller was appointed to the Board on 12 May 2021. Comparative figures for 2021 are therefore unavailable. His salary, benefits and annual bonus for 2021 have been annualised to show an approximate percentage change since 2021. The increase in benefits is due to a backdated payment for car allowance (£1,342) which was underpaid in 2021.
4. Gordon Boyd received a base salary of £100,000 a month for the period of his appointment as interim CFO (16 November 2020 to 12 May 2021) and was not eligible for any variable remuneration or pension contribution. On an annualised basis his salary therefore did not change between 2020 and 2021.
5. Taxable benefits for Patrick Butcher reduced from £15,252 in 2020 to £905 in 2021.
6. David Lowden was appointed Chairman in May 2022. His fee for 2022 has been annualised to show the percentage change since 2021 following his change in role which has a significantly increased time commitment and associated fee. David was appointed to the Board during 2021, comparative figures for 2021 are therefore unavailable.
7. Georgina Harvey was appointed Senior Independent Director in July 2022. Her fee for 2022 has been annualised to show the percentage change since 2021 following her change in role.
8. Brian McArthur-Muscroft, Nneka Abulokwe and Janine Goodchild were appointed to the Board during 2022. Comparative figures for 2022 are therefore unavailable.
9. Neelam Dhawan was appointed to the Board during 2021. Comparative figures for 2021 are therefore unavailable. Her fee for 2021 has been annualised to show the percentage change since 2021.The increase in benefits is due to additional fees payable for physical attendance at board meetings as Neelam is based outside the UK.
10. Sir Ian Powell and Matthew Lester stepped down from the Board during 2022. For comparative purposes, their 2022 fees have been annualised to show the percentage change since 2021.
11. Baroness Lucy Neville-Rolfe, Gillian Sheldon and Andrew Williams stepped down from the Board during 2021. Comparative figures for 2022 are therefore unavailable.
12. Lyndsay Browne and Joseph Murphy stepped down from the Board during 2022. For comparative purposes, their 2022 fees have been annualised to show the percentage change (in fees as a non-executive employee director) since 2021.
13. The employee population information shown is for UK employees employed in the Capita plc entity.
14. Taxable benefits were £0 in 2021 but £839 and £16 for David Lowden and Sir Ian Powell in 2022 respectively. Taxable benefits were £0 in 2020 but £1,309, £896 and £902 for Gordon Boyd, Gillian Sheldon and Andrew Williams respectively in 2021. The increases are therefore shown as 100%.

CEO pay ratio

The table below compares the single total figure of remuneration for the CEO with that of the Group's employees who are paid at the 25th percentile (lower quartile), 50th percentile (median) and 75th percentile (upper quartile) of its UK employee population.

Year	Method	25th percentile pay ratio	50th percentile pay ratio	75th percentile pay ratio
2022	**Option B**	**76:1**	**56:1**	**36:1**
2021[1]	Option B	49:1	38:1	24:1
2020[2]	Option B	61:1	44:1	29:1
2019	Option B	41:1	25:1	14:1

1. In accordance with the regulations, the 2021 CEO single figure has been updated to reflect the value of the LTIP based on the share price at the vesting date. The 2021 pay ratio figures have therefore been adjusted accordingly.
2. In accordance with the regulations, the 2020 CEO single figure has been updated to reflect the value of the LTIP based on the share price at the vesting date. The 2020 pay ratio figures have therefore been adjusted accordingly.

The 2022 remuneration figures for the employee at each quartile were determined with reference to the financial year ending 31 December 2022. Due to the complexity of Capita's corporate and workforce structure, Option B was used to calculate these figures. The committee believes that this approach provides a fair representation of the CEO to employee pay ratios and is appropriate in comparison to alternative methods, balancing the need for statistical accuracy with internal operational constraints.

A full-time and full-year equivalent total pay and benefits figure for 2022 was calculated for each quartile point employee using the single figure methodology. This was also sense checked against a sample of employees with hourly pay rates either side of the identified individuals to ensure that the appropriate representative employee was selected. No adjustments were made to the total pay and benefits figures (other than the approximate up-rating of pay elements where appropriate to achieve full-time and full-year equivalent values) and no components of pay have been omitted.

The table below sets out the 2022 full-time equivalent salary and total pay and benefits for the three identified quartile point employees:

2022	25th percentile (P25)	Median (P50)	75th percentile (P75)
Salary	**£22,354**	**£29,878**	**£46,260**
Total pay and benefits	**£23,188**	**£31,821**	**£48,707**

The committee recognises that the 2022 ratios are higher than last year. The CEO's single figure of remuneration for 2022 is higher than the figure for 2021 (c.49% increase) for the following reasons:

- The CEO received a base salary increase of 3.17% (his first salary increase since appointment in 2017).
- The 2022 single figure includes an annual bonus of £897,600 (60%) of maximum). This compares with an annual bonus award of £359,020 in 2021.
- The value of the 2020 LTIP vesting outcome (included in the 2022 single figure) is higher than the adjusted 2019 LTIP vesting outcome (included in the revised ratios for 2021).

The pay ratios have fluctuated since reporting commenced in 2019, primarily as a result of variability in incentive outcomes for the CEO.

Capita is committed to offering its employees a competitive remuneration package. Base salaries for employees, including our executive directors, are determined with reference to a range of factors including market practice, experience and performance in role. Due to the nature of his role, the CEO's remuneration package has higher weighting on performance-related pay (including the annual bonus and historical LTIP) compared to the majority of the workforce. This means the pay ratios are likely to fluctuate depending on the outcomes of incentive plans in each year. The committee also recognises that, due to the nature of the Company's business and the flexibility permitted within the regulations for identifying and calculating the total pay and benefits for employees, the ratios reported above may not be comparable to those reported by other companies. For these reasons, the committee considers that the median CEO pay ratio is representative of the UK employee base.

Gender pay gap reporting

The Company's 2022 gender pay gap data will be available on the government website https://gender-pay-gap.service.gov.uk from April 2023.

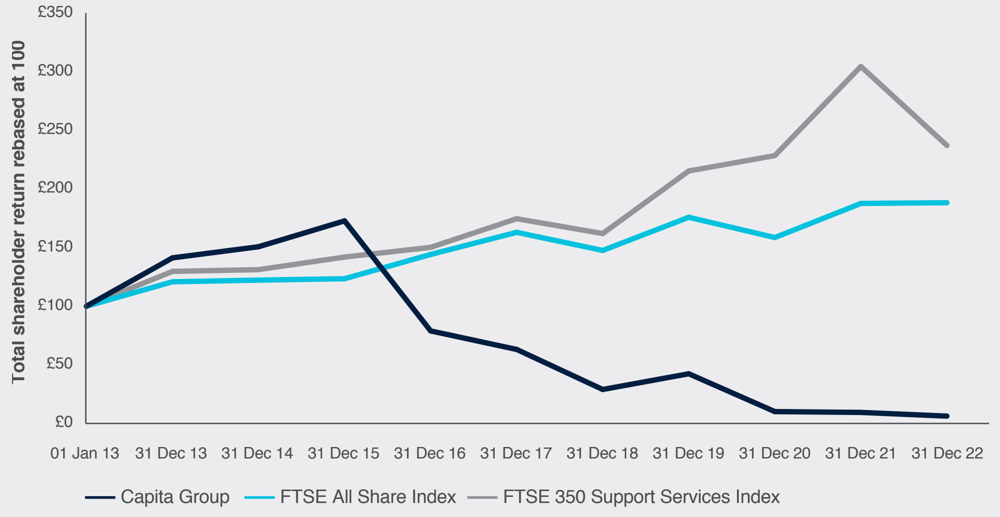
Relative importance of the spend on pay

The table below shows the spend on employee costs in the 2022 and 2021 financial years, compared with dividends:

	2022 £m	2021 £m	% change
Employee costs	**1,758.1**	1,767.1	-0.51%
Dividends	**–**	–	–

Performance graph and CEO pay

The following chart compares the value of an investment of £100 in the Company's shares with an investment of the same amount in the FTSE All-Share Index and the FTSE 350 Support Services Index over the past 10 years, assuming that all dividend income is reinvested. The FTSE 350 Support Services has been chosen as the appropriate comparator as Capita is a constituent of this index.



The total remuneration figures for the CEO for 2022 and the previous nine years are shown in the table below based on the single-figure methodology.

The annual bonus payout and LTIP award vesting level as a percentage of the maximum opportunity are also shown for this year.

RSA vesting percentages will be shown in respect of the estimated/actual value at vesting in respect of the year ending just prior to the vest date.

Year	CEO – single figure of total remuneration	Annual bonus (vs max opportunity)	Long-term incentive (vs max opportunity)
2022	£1,767,972	60%	15%
2021	£1,185,415	24.8%	12.5%
2020	£1,196,582	0%	60%
2019	£789,678	0%	0%
2018	£2,014,209	85%	0%
2017	£741,376	0%	0%
2016	£682,958	0%	0%
2015	£2,520,428	50%	71.4%
2014	£2,558,998	100%	67.2%
2013	£2,326,250	75%	54.5%

Note: the vesting percentages for the long-term incentives are averaged between the LTIP and the DAB vesting rates for 2013 and 2015. For 2014, this is the actual vesting for the LTIP as there is no DAB maturity in 2014. Note: figures for 2013 are based on remuneration for Paul Pindar. Figures for 2014–2016 are based on remuneration for Andy Parker. Figures for 2017 are based on remuneration paid to Andy Parker as CEO until 15 September 2017, to Nick Greatorex as interim CEO from 16 September 2017 to 30 November 2017, and to Jon Lewis as CEO from 1 December 2017. In accordance with the regulations, the 2021 and 2020 CEO single figure have been updated to reflect the value of the LTIPs for each year based on the share price at the vesting date (rather than an estimate of the share price at vesting).

Approval of the directors' remuneration report

The directors' remuneration report was approved by the Board on 2 March 2023.

Georgina Harvey
Chair
Remuneration Committee
2 March 2023