Our performance

In 2022, we delivered a turnaround in financial performance with accelerated adjusted revenue growth, a step change in profitability and positive free cash flow. Capita is now a business focused on two core divisions with strong positions in attractive and growing markets, underpinned by a strengthened balance sheet. Our priority continues to be on improving performance for all our stakeholders.

Financial highlights and KPIs

Reported revenue
£3,014.6m
(2021: £3,182.5m)

Reported profit before tax
£61.4m
(2021: £285.6m)

Reported free cash flow[3]
£24.5m
(2021: £(264.3)m)

Adjusted revenue[1]
£2,845.8m
(2021: £2,777.8m)

Adjusted profit/(loss) before tax[1]
£73.8m
(2021: £(122.8)m)

Free cash flow before the impact of business exits[3]
£29.0m
(2021: £(218.6)m)

Reported earnings per share (continuing ops)
4.47p
(2021: 13.33p)

Adjusted earnings/loss per share[2]
6.20p
(2021: (7.74)p)

Read more in the Chief Financial Officer's review on pages 26 to 32.

1. Capita reports results on an adjusted basis to aid understanding of business performance. Refer to alternative performance measures (APMs) on pages 229 to 231.
2. Refer to note 2.7 to the consolidated financial statements.
3. Refer to note 2.10 to the consolidated financial statements.

Non-financial highlights and KPIs

Points swing in employee net promoter score
+15pts
(2021: -22pts)

Points swing in customer net promoter score
+6pts
(2021: -3pts)

Suppliers paid within 60 days[4]
99%
(2021: 98%)

Total shareholder return (TSR)
(33.5)%
(2021: (6.9)%)

Employee engagement index
65%
(2021: 56%)

Diversity: gender M/F
51/49%
(2021: 51/49%)

Reduction in carbon footprint[6] (location-based)
57%
(2021: 52%)

CO_2 emissions (location-based) Scope 1,2 and 3[7]
39.0m
gross tonnes
(2021: 43.6m gross tonnes)

Voluntary employee turnover
30%
(2021: 30%)

Diversity: ethnicity[5]
37/24%
(2021: 56/19%)

Reduction in carbon footprint[6] (market-based)
71%
(2021: 61%)

4. Data includes invoices paid through Capita UK companies.
5. White/Black, Asian and minority ethnic. 39% of people chose not to respond or not to specify.
6. Reduction in carbon footprint based on emissions per headcount from 2019 baseline. See pages 42 and 43 for more information.
7. Scope 3 for business travel only. See pages 42 and 43 for more information.

About us

Capita is a leading provider of business process services, driven by data, technology and people.

Everything we do is underpinned by our purpose: to 'create better outcomes' – for our employees, clients and their customers, suppliers and partners, investors, and society.

Every day we help millions of people by delivering innovative, digitally enabled solutions to transform and simplify the connections between governments and citizens, businesses and customers.

We partner with clients and provide them with the insight and technologies that allow them to focus on what they do best and make peoples' lives easier and simpler.

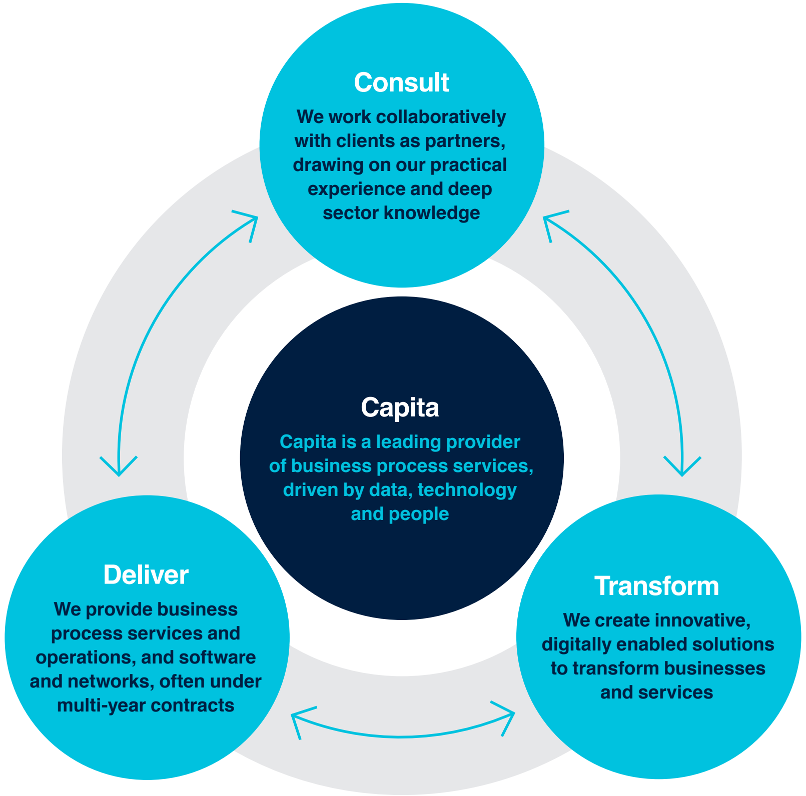
We operate across two core divisions – Public Service and Experience – in the UK, Europe, India and South Africa; a third division, Portfolio, comprises our remaining non-core businesses being prepared for disposal.

The Turing Scheme, which provides global opportunities in education and training for students, will see a record 38,000 students participate over the 2022–23 academic year.

We have secured a five-year agreement with ScottishPower to deliver customer support services.

We deliver training to the Royal Navy to provide motivated and experienced personnel to deal with challenges in the future.

What we do as a business



Capita's structure in 2022

Two divisions focused on distinct market and client needs; a third division of non-core businesses.

Capita Public Service

The number one[2] strategic supplier of business process services (BPS) and technology services to the UK Government.

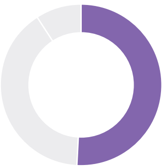
Main verticals: Education & Learning; Local Public Services; Health & Welfare; Defence, Fire & Security; and Justice, Central Government & Transport

See page 16 for further information.

Adjusted revenue[1] contribution

51%

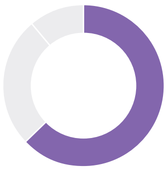
(2021: 51%)



Adjusted divisional operating profit[1] contribution

63%

(2021: 91%)



Capita Experience

Experience is one of western Europe's leading customer experience businesses. It is the market leader in the UK[3] and ranks fifth in Germany[3] and Europe[3].

Main verticals: Telecoms, Media & Technology; Multi-industry; and Financial Services

See page 20 for further information.

Adjusted revenue[1] contribution

40%

(2021: 41%)

Adjusted divisional operating profit[1] contribution

26%

(2021: 9%)

Capita Portfolio

Remaining portfolio of valuable but non-core businesses, targeting sale by half year 2023, depending on market conditions.

Pillars: People; Software; Business Solutions; Travel; and Fera

Sold during 2022: Technology, Property

See page 24 for further information.

Adjusted revenue[1] contribution

9%

(2021: 8%)

Adjusted divisional operating profit[1] contribution

11%

(2021: 0%)

Divisional financial performance: (see also pages 19, 23 and 25) is presented on an adjusted basis. Reported is not included, as the Board assesses divisional performance on adjusted results. The calculation of adjusted figures and our key performance indicators (KPIs) are contained in the APMs on pages 229 to 231.

Divisional details and performance can be found on pages 16 to 25.

1. Refer to APMs on pages 229 to 231.
2. TechMarketView.
3. NelsonHall.

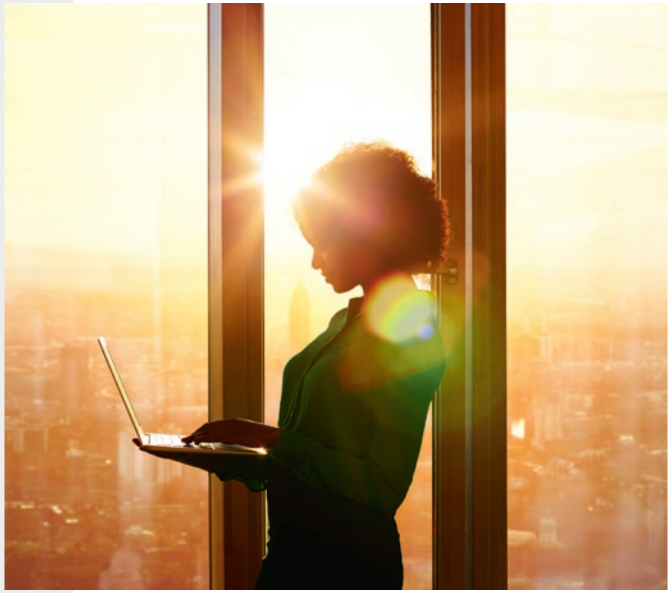
Our purpose

We are driven by our purpose: to 'create better outcomes' – for our employees, clients and customers, suppliers and partners, investors, and society.

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.

Capita 'creates better outcomes' for all its stakeholders:

Our people by providing an environment in which they can thrive and develop	Number of people in 2022 **50,000**
Clients and customers by delivering solutions, transforming businesses and services, and by delighting them	Customer net promoter score (cNPS) in 2022 **+35pts**
Suppliers and partners by treating them fairly and encouraging them to deliver	Supplier payment compliance in 2022 **99%**
Investors by delivering improving free cash flow and returns	Share price movement in 2022 **(12.2)p**
Society by acting as a responsible business for the communities we serve	Reduction in carbon footprint in 2022 **4.6m** gross tonnes



Everyone at Capita strives to create better outcomes for all our stakeholders by living our values of being:

- Open
- Collaborative
- Ingenious
- Effective

We bring these values to life through our day-to-day behaviours and by putting our purpose at the centre of everything we do.

Our strategy

To create a simpler, stronger and more successful business that will drive organic revenue growth and sustainable free cash flow.

Simplify
- A focused business with strong positions and growth potential
- Using common, scalable capabilities
- Empowering our people to deliver
- Streamlining our cost base

Strengthen
- Winning more of the right work
- A stronger balance sheet through improving cash generation and disposal proceeds
- Addressed the pension deficit
- Investment in technology and people

Succeed
- Purpose-led, responsible business
- Innovative and creative
- Accelerating revenue growth
- Delivered positive free cash flow[1] in 2022

1. Free cash flow = reported free cash flow excluding the impact of disposals.

Measured through our KPIs:

Financial

Adjusted revenue[2]
£2,845.8m
(2021: £2,777.8m)

Free cash flow before the impact of business exits[2]
£29.0m
(2021: £(218.6)m)

Adjusted earnings/(loss) per share[2]
6.20p
(2021: (7.74)p)

Net financial debt (pre-IFRS 16): adjusted EBITDA[2]
0.5x
(2021: 3.7x)

2. Refer to APMs on pages 229 to 231.

Non-financial

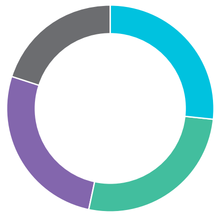
Employee NPS points swing
+15pts
(2021: -22pts)

Customer NPS points swing
+6pts
(2021: -3pts)

Suppliers paid within 60 days
99%
(2021: 98%)

Aligning with our performance-based remuneration:

Annual bonus for the executive directors determined by:



- Free cash flow
- Revenue
- Profit before tax
- Strategic/personal objectives

Read more in the directors' remuneration report on pages 99 to 122.

How we create value

At Capita, we provide business process services, driven by data, technology and people.

Our markets

We operate in large and growing markets, at scale and often with significant market share.

Public Service

BPS spending growing at c.5% per annum

Government spending in the UK with private organisations is around £176bn and spending on BPS is growing at around 5% per annum. As Capita has won and delivered more digital transformation and IT contracts across the public sector, the UK Government now regards us as a digital service provider alongside delivering traditional outsourcing scopes of work.

(Source: TechMarketView)

Experience

Outsourced market growth of c.5% per annum

The global customer experience market is valued at around £277bn and the outsourced element is expected to grow at around 5% per annum. The drive to digital includes a customer desire to shift to self-service, where convenience matters, and high-quality human interactions, supported by technology when needed.

(Source: Everest)

Our expertise and resource

Market expertise

We have deep understanding of our clients and their markets; we are organised in market verticals that reflect our client expertise.

Technological resources

We offer technology-led, digitally enabled services and solutions. We are investing in digital and software development. We partner with global technology leaders.

Client relationships

We form longstanding partnerships with a wide range of clients, from blue-chip businesses to the public sector, to transform their activities by delivering insight and innovative solutions.

Our people

We are a people-focused business, built around 50,000 skilled and committed employees who have deep understanding of our clients' markets and needs.

International infrastructure

We have an international delivery platform, with more than 18,000 people providing technology solutions and customer engagement services such as call centres and customer support, principally in Europe, India and South Africa.

What we do as a business

Capita is a leading provider of business process services, driven by data, technology and people.

We are focused on creating better outcomes and value by working collaboratively with our clients as partners.

We provide consulting, transformation and professional delivery services, drawing on our practical experience; and provide digitally enabled services and solutions, often under multi-year contracts.

We consult, transform and deliver.

Consult

We work collaboratively with clients as partners, drawing on our experience and deep sector knowledge.

Transform

We create innovative solutions to transform businesses and services.

Deliver

We provide digitally enabled services and operations, often under multi-year contracts.

Our consultants:

- Work collaboratively with clients as trusted, long-term partners.
- Proactively identify opportunities to improve our clients' businesses.
- Generate forward-looking insights by analysing, researching and debating trends and data.
- Support the design and implementation of better solutions for clients.
- Maximise opportunities across Capita, driving pipeline and creating pull-through revenue.

Our transformation services:

- Improve process quality, reliability and efficiency.
- Help reduce risk and cost.
- Create new opportunities for clients.
- Allow clients to focus on what they do best.

Our digitally enabled services:

- Help simplify clients' services.
- Assist better decision making.
- Contribute to process acceleration.
- Improve end-customer experiences.

Generating financial value

We generate revenue, profit and cash flow by providing valuable services to our clients, consistently and efficiently over the long term.

Transformational services

Clients procure our digitally enabled services and network solutions through contracts, often long term, to effect significant change in their businesses. In 2022, approximately 76% (2021: 77%) of Group adjusted revenue[1] was underpinned by long-term contracts, with around 15% (2021: 15%) from short-term contracts. Our order book at 31 December 2022 was £5.8bn.

Transactional services

Approximately 9% (2021: 8%) of adjusted revenue[1] comes from our transactional businesses where we sell products and professional services to our clients across a wide range of functions. In 2022, this represented £244.8m of adjusted revenue[1].

Efficient operations

Running our business as efficiently as we can allows us to pass savings through to our clients and customers over the long term, as well as generating value for our shareholders. During 2022, our operating profit margin improved from a negative 2.8% to positive 3.6% through efficiencies from the business structure we implemented in 2021, reducing the cost of poor quality and adopting efficiency-generating technologies such as automation.

Generating cash flow

We aim to generate sustainable free cash flow from revenue growth, increasing profit margins through greater efficiency and eliminating the cash cost of poor-quality operations. During 2022, we delivered positive free cash flow before the impact of business exits[1] of £29.0m compared with negative free cash flow before the impact of business exits[1] of £218.6m in the prior year, reflecting the non-repeat of one-off cash payments made in 2021, including pensions and VAT, and cessation of our significant restructuring programme.

1. Refer to APMs on pages 229 to 231.

Better outcomes for stakeholders

Our people by providing an environment in which they can thrive and develop.

Clients and customers by delivering solutions, transforming businesses and services, and by delighting them.

Suppliers and partners by treating them fairly and encouraging them to deliver.

Investors by delivering improving free cash flow and returns.

Society by acting as a responsible business for the communities we serve.

Making good progress, driven by our purpose

"We delivered on our commitment of improving financial performance and moved towards the completion of the disposal processes in our Portfolio division."

David Lowden, Chairman

In 2022, Capita made further progress as a simplified and more focused organisation, built around two core divisions with strong positions in attractive and growing markets, and driven by its purpose.

The macroeconomic backdrop for all businesses including Capita, and our employees, remained challenging – despite the waning threat of the Covid pandemic – amid political uncertainty and inflationary pressures.

Despite the difficult external environment, we delivered on our commitment of improving financial performance and moved towards the completion of the disposal processes in our Portfolio division.

Aligned to our purpose, the welfare and wellbeing of our tens of thousands of people remained a top priority.

It was very important, especially amid the cost-of-living crisis, to continue to support and care for our employees, particularly the lowest paid.

I would like to thank all our colleagues for their hard work, professionalism and commitment over the last year.

With our structural transformation done, the senior leadership team and the business are now very focused on the needs of our clients and customers.

At the same time, we recognise that our investors have yet to see the financial benefits of the company's improved performance.

The patience and ongoing support of our shareholders is very much appreciated and, looking forward, we remain committed to improving long-term value creation for them and all our stakeholders.

Strategy and performance

While 2021 marked the completion of Capita's transformation, 2022 saw us embedding the new corporate structure, stabilising the business, and building on the platform for growth.

We are now fully oriented towards our clients and their own organisational and commercial requirements, rather than approaching business from our previous, product-focused perspective.

We are committed to providing a consistently high quality of service delivery in order to delight our clients and customers – and, through this, will create more opportunities, and accelerate and increase growth.

This has been reflected in our contract renewal rate which has remained very high, and our continuingly positive customer net promoter scores.

In 2022, we increased our adjusted revenue – with growth higher than it has been for seven years – and produced adjusted profit and positive free cash flow.

The progress and growth have been most visible in our Public Service division, with Experience still somewhat behind in its evolution.

> **"Focused investment on digital is the way forward and, backed by clear strategic plans, will be the main driver of growth for us."**

But that division has stabilised its revenues, and we are confident of seeing growth come through successfully.

In 2022, we started to concentrate even more on our digital transformation capabilities; processes, standardisation and automation are all being improved.

Focused investment on digital is the way forward and, backed by clear strategic plans, will be the main driver of growth for us.

We have now also sold a significant proportion of our non-core Portfolio businesses, which has helped strengthen the balance sheet and materially reduce our debt, and enabled us to address other responsibilities such as additional contributions to the pension fund.

The Board and governance

It was my privilege to step up to become Chairman of Capita in 2022.

On behalf of the Board, I would like to thank my predecessor Sir Ian Powell for his outstanding leadership over the previous six years.

He successfully steered the organisation through challenging times, overseeing the structural transformation and the return to adjusted revenue growth.

Matthew Lester, non-executive director, also left the Board in 2022 and I would like to thank him for his five years of service.

As Chair of the Audit and Risk Committee, he enhanced our focus on financial controls and helped identify and manage the material risk factors that Capita continues to face.

Another non-executive director, John Cresswell, has recently announced his intention to step down from the Board at the end of March 2023; and I would also like to thank him for his professionalism, commitment and valuable contribution during his seven-year tenure.

In June, we welcomed Brian McArthur-Muscroft, a highly experienced chief financial officer and board director, as a non-executive director.

Brian has taken over Matthew's role as head of the Audit and Risk Committee, and will continue to focus on the increased discipline that has been brought to bear across the organisation.

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

Our first ever employee directors, Lyndsay Browne and Joseph Murphy, stepped down in June at the end of their three-year tenures.

I would like to thank them both for the significant contribution they made to the Board, providing fresh insight and a vital new perspective.

We were delighted to welcome Janine Goodchild, a clinical trainer in our healthcare team, as our new employee director.

I would like to thank all members of the Board for their commitment, continued support and hard work.

Culture and sustainability

At Capita, we remain committed to our purpose of creating better outcomes for all stakeholders – our people, clients and customers, suppliers and partners, investors, and society.

As part of that, for the past three years, we have been proud to support thousands of our lowest paid people as an accredited payer of the real living wage – and have recently invested to continue that important commitment.

We have also embedded our virtual first hybrid working model, introduced an employee leadership council, and continued to work on increasing diversity and inclusivity across the organisation, and addressing our pay gaps.

But to be able to delight stakeholders, including clients and customers, also requires an engaged workforce, who like and want to continue working for the organisation.

So, while we are pleased to have seen a rise in both our employee net promoter score and engagement index, we must continue to focus on the welfare and needs of our colleagues.

As a responsible business, we continued to make progress on delivering on our environmental, social and governance (ESG) objectives – and driving towards our target to be fully net zero on carbon emissions by 2035.

To enhance how we serve and respect our stakeholders, including society and the environment, we have also introduced an ESG committee to the Board.

Looking forward

We live and work in uncertain times, which will continue to present challenges, but which will also provide opportunities – and we need to consider how we respond to those as a business.

We are committed to continuing to improve performance on behalf of all our stakeholders.

We have to drive, not just towards increased revenue growth, but to profitable growth with improved, cash-backed margins. Increased digitalisation and greater transformation capabilities should enable that to happen.

There is still more to be done at Capita and challenges remain. But I am confident of further progress towards long-term revenue growth – and of securing a sustainable future as a profitable business, delivering positive free cash flow.

David Lowden
Chairman

An important year of stabilisation and acceleration

> "Our strategy is delivering and we achieved a turnaround in our financial performance in 2022."
>
> **Jon Lewis,** Chief Executive Officer

Summary

Following the completion in 2021 of the Group's transformation, 2022 was an important year of stabilisation for Capita and we are pleased to report that the Group delivered an acceleration in adjusted revenue growth, an improvement from last year's adjusted loss before tax to a profit of £74m following cessation of restructuring spend, and positive free cash flow in line with expectations.

At the start of 2022, we set out our six corporate priorities: to live our purpose; invest in our colleagues; grow the business; deliver for our clients; deliver sustainable free cash flow; and reduce net debt. We made progress against each of these priorities which has provided a firm foundation for the success of the business moving forwards. Our strategy is delivering and we achieved a turnaround in our financial performance in 2022.

The Group's organisational structure now prioritises client needs alongside operational delivery, and we were pleased to have seen a six-point increase in customer net promoter score (cNPS) over the year to +35 points.

We are also creating a more compelling working environment for our colleagues, with an increase of 15 points in our employee net promoter score (eNPS). But there is still more to do in this area, and we have a comprehensive plan to deliver further progress in 2023.

We are on a path to sustainable free cash flow generation, having delivered positive free cash flow in 2022 and having continued to strengthen the balance sheet following the completion of further disposals of non-core businesses, achieving gross disposal proceeds of c.£485m, which has substantially reduced our net debt.

Market conditions and dynamics have changed significantly over the past year, for both businesses and consumers. But we believe Capita remains a resilient business, notwithstanding the challenging macroeconomic environment, as we use our know-how, digital tools and process expertise to deliver cost-effective solutions to clients and customers.

I would like to thank our colleagues throughout the organisation for their continued hard work, commitment and professionalism.

The foundation that Capita now has in place, following our transformation and stabilisation phases, will allow us to accelerate our growth further in 2023 and beyond.

Living our purpose

Creating better outcomes for all key stakeholders is Capita's purpose and is our licence to operate. It underpins everything we do as a business.

We align ourselves to the five principles of a purpose-driven business within the Blueprint for Better Business. These include being honest and fair with clients and suppliers, being a good citizen, being a responsible and responsive employer, being a guardian for future generations, and having a purpose which delivers long-term sustainable performance.

Globally, we have introduced purpose-related remuneration metrics and objectives, to embed further our purpose-driven behaviours across

> **"We are committed to helping our employees navigate the cost-of-living crisis."**

the Group; these are set by the new ESG Committee of the Board and approved by the Remuneration Committee prior to final Board approval.

Diversity was a key focus during 2022 and, as a Group, we have set multi-year targets for gender and ethnic equality, diversity and inclusion in senior leadership. The Group is ahead of these targets with 42% female senior leadership (globally) and 14% ethnic diversity in UK senior leadership, including 3% Black representation at the end of 2022.

In addition, our Board and Executive Committee are both currently 44% female and 22% ethnically diverse, well above the diversity levels of most UK boards and executive teams.

Employee engagement and investing in our colleagues was a corporate priority in 2022. We paid specific attention to better communication, investment in training, and development of the career path framework. We have a compelling employee value proposition and we saw a +15 point improvement in eNPS in 2022.

We are committed to remaining a virtual-first organisation. Our hybrid working model allows a large proportion of our colleagues to work remotely all or part of the time. This has helped improve employee recruitment, while unlocking career opportunities for the economically inactive and supporting the UK Government's Levelling Up agenda. In 2022, 85% of employees gave our hybrid working model as a reason to stay with Capita, and we have seen a positive effect on both productivity and absenteeism.

However, similar to our competitors in the outsourcing market, colleague attrition remains a key challenge for the Group. We are working to identify the drivers of attrition and take meaningful action to reduce it to a sustainable level. This year we introduced the career path framework to both help employees' development and shape their future progress, creating long and fulfilling careers at Capita. The rollout of the career path framework across the Group will be completed in 2023.

Attrition rates have improved in a number of areas such as within our Technology and Software Solutions (TSS) function and Public Service, but there are still some parts of Experience where they remain high. Addressing and reducing attrition across the Group represents a significant future cost-saving opportunity.

We are committed to helping our employees navigate the cost-of-living crisis, particularly our lower-earning colleagues. We have confirmed our commitment and retained our status as a real living wage accredited employer in the UK; and, through our 2023 annual salary review process, pay rises will be heavily weighted towards the lower earners in the organisation, with the highest earners being asked to forgo a basic pay increase.

Capita has launched the business's first employee leadership council. This comprises 11 individuals, drawn from different parts of the company, who have been identified as potential future leaders within the organisation

cNPS remains high

+35pts

(2021: +29pts)

For colleagues based outside the UK, we have a similar and fair approach, paying colleagues in line with our global pay principles. In order to support our colleagues further, we have also launched a number of financial wellbeing initiatives including direct financial support, such as salary advances, and the Level app which provides support for financial budgeting.

During 2022, we continued to develop and embed our health, safety and wellbeing policies and standards for all our colleagues within the divisions and business units. We are driving assurance programmes around our requirements, growing the wellbeing and health components of our new occupational health services, and increasing the digital transformation of the tools we use to care for our employees. In 2022 our annual employee wellbeing index improved by 4%, we also introduced SafetyNet, providing guidance and support to teams dealing with complex issues related to wellbeing, safeguarding or vulnerability.

Elsewhere within the Group, we launched Project Compass to provide ex-offenders with meaningful employment upon leaving prison. We also joined forces with a social impact firm to assist military veterans with finding jobs to help fill the UK's digital skills gaps on their return to civilian life. We were pleased to retain our status as a gold award employer under the Armed Forces Covenant.

Outside the UK, we made a donation at the start of the Ukraine war to the Red Cross, while our colleagues in Poland have supported refugees with donations and hosted refugee families. In South Africa we funded a learners programme to help underprivileged groups to tackle digital exclusion.

More widely, across our contract bids, we have seen our clients placing a greater emphasis on ESG in their tender appraisal processes. This is an area where we typically score well, reflecting our success in transforming Capita into a truly purpose-driven, responsible business.

We previously outlined our plans to take our carbon footprint to net zero by 2035, ahead of the UK Government's target of 2050. Our three-phased approach aims to see us reach Scope 1 net zero by 2025 and Scope 2 and 3 net zero by 2030. During the year, the Science Based Targets initiative verified the Group's 2035 net zero target as compliant with the highest standards of target-setting methodology and Capita was awarded a climate change A list award by the Carbon Disclosure Project (CDP).

We reduced our Scope 1 and 2 emissions by 45% compared with our 2019 base line. We are pleased to be certified as ESG low risk by Sustainalytics, a leading independent ESG and corporate governance research, ratings and analytics firm. Our newly created ESG Committee provides additional strategic oversight, accountability and guidance to ensure we maintain our high standards.

Our performance on supplier metrics has been maintained; for example, 99% of all suppliers were paid within UK Government guidelines of 60 days, a one percentage point increase from 2021. We were also slightly ahead of our 33% target spend with SME suppliers.

Markets and clients

We are a leading provider of business process services (BPS), driven by data, technology and people. Both our Public Service and Experience divisions have strong positions in their markets – as the UK Government's largest IT outsourcing supplier[2] and as the UK's leading customer services provider[3].

Both markets are growing at around 5%[2,3] per annum. Some sub-sectors within the markets are growing at much higher rates, as both the public and private sectors invest in digital transformation to drive efficiency, amid economic uncertainty and fiscal strain, and deliver better citizen and customer service. Our overall value proposition remains strong in the current macroeconomic climate where we can drive efficiency and productivity for the benefit of customers and citizens.

Our deep sector process knowledge and market vertical divisional structure, combined with the breadth and depth of the Group's client base, provide stability and resilience. The divisions, led by our dedicated client partners, are also generating a better-quality pipeline, enabling us to accelerate revenue growth.

We are taking a proactive approach to mitigating the pressures of rising inflation and, in 2022, we believe this resulted in no material profit impact from inflation on the Group. To provide future protection, we have focused efforts on ensuring we have robust contractual protection in place against inflation. Where protection does not currently exist, we have seen success from commercial dialogue with clients to ensure we are being fairly remunerated in changing market conditions. We also have embedded cost-reduction programmes across the Group to help offset inflationary pressures.

Digital transformation

There is a major market opportunity across both core divisions to be more cost effective and win more business, as we improve our digital capabilities.

Both core divisions are highly ranked by TechMarketView and Information Services Group for their client delivery. We remain on a journey in which we are transitioning from providing traditional business process outsourcing (BPO) to BPS, where services and process delivery are digitally enabled.

In 2022, the UK Government published its roadmap for digital and data, outlining its intention to spend up to an additional £8bn by 2025 on digital, data and technology transformation. As our mix of work shifts from traditional BPO to digital BPS, we see incremental margin opportunity from processes

2. TechMarketView.
3. NelsonHall.

becoming standardised and repeatable, with greater contract stickiness. Previous investments are starting to yield benefits, with the UK Government, for the first time, regarding us as a digital service provider alongside delivering complex outsourcing scopes of work.

To support our digital offerings, we continue to embed our TSS capability. With 4,200 employees, TSS brings a single resource pool to deliver secure, resilient and predictable digital solutions for Capita's businesses and clients. We view this as the digital heart of Capita.

We have aligned TSS partners with divisional Service Delivery Managers to ensure greater insight into our clients' requirements, while ensuring we have a pan-Capita digital roadmap with broader capabilities across the Group. Our TSS capabilities contributed to client satisfaction improvements across Capita Public Service and Experience in 2022. The new shared-service structure has also seen a strong improvement in TSS employee engagement in 2022, with attrition rates halving.

Operationally, the creation of a shared service technology delivery function facilitated a significant step-up in new daily software releases, delivering 33% more releases compared with 2021, and helped reduce the cost of service-credits across the contract portfolio.

Our strengthened balance sheet underpins our ability to increase investment in digital solutions. This year we invested in a new pensions platform in our Financial Services vertical to facilitate wider user self service. Within Public Service, our digital technology stack will be an area of continued investment in 2023 and beyond, positioning us for improved opportunities going forwards.

To underpin the Group's increase in digital BPS; in 2023 we will be investing in a number of areas, including consolidation of our networks, improving our automation tools, and growing our cloud and hosting capabilities, data analytics and software engineering. This will enable us to meet the demands of clients, help deliver user-centric solutions and accelerate benefit delivery.

The Group continues to strengthen digital capability within our client offerings, as we invest in our technology stack and capabilities. We have partnered with world-leading technology providers such as Amazon Web Services (AWS), Salesforce and Microsoft to support the build of standardised scalable platforms, improving our ability to deploy automation, AI and analytics, and, in turn, delivering better customer service outcomes.

Growing our business

In 2022, the Group won contracts with a total contract value (TCV) of £2,853m (2021: £3,420m) the reduction reflecting the scale and lumpy nature of timing of contract award phasing in Public Service, partially offset by a strong performance in Experience.

Experience had a particularly strong year, with a 71% increase in TCV sold, reflecting very high levels of contract retention and growth with existing clients. The book to bill ratio for the division was 1.2x, the highest it has been for

a number of years. New contract wins included broad customer experience support provision for ScottishPower for five years, which uses AI conversational technology and data analytics to deliver better outcomes and efficiencies.

Renewed contracts included a five-year renewal with the BBC (providing TV licensing collection, management and administration), a seven-year contract extension with freenet AG (providing customer services support for the German telecommunications and digital services company), and multiple contracts within the financial services industry, reflecting our strength in that area. The renewal rate in

In August 2022, Capita joined forces with a social impact firm to help military veterans fill the UK's chronic digital skills gap

the division remains extremely high at 99% of all renewals bid for.

Public Service saw a 50% reduction in TCV sold, compared with the prior year, following the £925m win of the Royal Navy training contract in 2021. Our client renewal rate remains very high at 91% across renewals bid for. There was

> **"Developing a more agile workforce has enabled us to increase our ability to meet resource demands."**

success in the year in each vertical, including renewals with NHS England, Barnet Council and with the Department for Work and Pensions. We also secured growth with existing clients, including TfL Road User Charging and the Royal Navy on the Submarine Training Centre. The book to bill for the division for the year was 0.8x.

Wider market conditions across 2022, including changes within the UK Government, resulted in a number of significant contract tender processes seeing timeline slippage, particularly in areas of new business. Across the year, more than £3bn of TCV opportunities saw their closing date move from 2022 to 2023. Our 2023 unweighted pipeline is £7.5bn, with 70% of this reflecting new clients and new business. The weighted pipeline for 2023 is £2.2bn, split broadly 50:50 between Experience and Public Service.

The remaining businesses within Portfolio contributed £264m of TCV, which was a slight increase from that signed in 2021 on a like-for-like basis. The book to bill for the division remains above 1.0x.

At 31 December 2022, the Group's order book stood at £5,805m, reducing £310m from 31 December 2021 with £2,110m order book additions, indexation and scope changes, £2,132m revenue recognised and £288m from business disposals and contract terminations.

Delivery for our clients and cost efficiency

Consistently delivering for our clients is the cornerstone of our success. Effective, efficient client delivery and getting it right first time, reduces excess cost and allows us to grow revenue.

Our cNPS improved in 2022 by six points, with the overall score now at +35 points. We saw improvements in all divisions, reflecting our efforts to deliver for our clients and their customers throughout the business. In a few cases where KPI performance was not met consistently we actively engaged in remediation actions. This has helped improve our overall external stakeholder reputational scores, where we saw the highest annual score the Group has achieved since tracking began three years ago.

To allow more consistent delivery across both core divisions, we have established a flexible and agile workforce, which can be scaled up and down. We have created a single delivery organisation in each division, with common technology stacks and processes with a high level of agility. We are applying the same digital technology to our clients and ourselves to drive cost reduction and consistency of service delivery.

We had a strong and predictable operational performance in 2022, hitting customer KPIs consistently across the year. There were a number of notable achievements across the contract portfolio, including:

- Maintaining our 100% success delivery record for both time and cost on the Royal Navy training contract. The strength of this partnership has allowed us to bid for additional scopes of work such as the Submarine Training Centre.
- A smooth start to our work on the new ScottishPower contract in June, transferring 400 people to Capita from the previous service provider with no impact on operational performance.
- Flexible scaling of service delivery teams in our Experience division around client peak demand periods for retail sales across the year.

The challenging market conditions, and higher levels of employee attrition in some areas, increased cost pressure for the Group over the year, but developing a more agile workforce has enabled us to increase our ability to meet resource demands, and we have seen an improvement in our eNPS.

We are experiencing one of the tightest labour markets of all time, but managed to recruit a significant number of people in 2022 to meet market demand. We now have the appropriate resources to grow and maximise revenue opportunities.

More broadly, we see margin opportunity in improving commercial terms on our existing contracts and from solutions that have a higher digital underpin and are more scalable.

Our property portfolio and usage are a continued area of focus for management as we maintain our virtual first working model. In 2022, we permanently closed 19 properties and consolidated an additional 19, resulting in a 23% reduction in our total square footage over the past two years, reducing our annual lease payments by £22m.

Financial results – revenue and profit

Adjusted revenue[1] growth accelerated in 2022 to 2.4% across the whole year with 4% growth in the second half as we delivered adjusted revenue[1] of £2,845.8m (2021: £2,777.8m). New contract wins included the Northern Ireland teachers IT device refresh contract and the Turing Scheme, as well as the annualised benefit of the Royal Navy training contract and price increases/indexation. The impact of these new awards was partially offset by prior-year losses, and reductions in contract scope and volume, mainly in the Financial Services vertical in Experience. Portfolio performed well, as businesses recovered from the Covid-19 related activity restraints of 2021.

Reported revenue declined by 5% to £3,014.6m as the core business growth was more than offset by the disposal of non-core businesses.

Adjusted profit before tax[1] increased to £73.8m (2021 loss: £122.8m). The improvement in profit reflected the cessation of major restructuring spend in 2021 (£147.5m), the non-repetition of

1. Refer to APMs on pages 229 to 231.

Capita's Fire Service College has launched its new Aviation Firefighter Programme – with London Oxford Airport confirmed as its first customer – in a significant investment in the college's civil aviation training offering

the closed book Life & Pensions provisions booked in 2021 (£43.1m) and the benefit from revenue growth and cost efficiencies over the year. This was partially offset by the Group's commitment to repay £4.9m of furlough income received in 2021.

Reported profit before tax decreased, principally reflecting the reduction in disposal gains, following the ESS and Axelos sales completed in 2021 (2021 gain: £285.6m). In 2022, we made a disposal gain of £166.9m, primarily from the sale of Pay360. We recognised a £169.0m (2021: £11.5m) non-cash goodwill impairment in respect of businesses within the Portfolio division.

Financial results – free cash flow and net debt

We delivered positive free cash flow before the impact of business exits[1] of £29.0m (2021 outflow: £218.6m) and free cash flow was positive at £24.5m (2021 outflow: £264.3m). The swing to positive free cash flow generation reflected a reduction in pension deficit payments from £155.5m to £38.6m and deferred VAT repayments from £104.1m to £14.9m, together with an underlying improvement in operating cash flow conversion.

Net debt reduced further to £482.4m in 2022 (2021: £879.8m), as we continued to strengthen the balance sheet. Pre-IFRS 16 net financial debt reduced to £84.9m (2021: £431.4m). The reduction was achieved through our successful disposals programme, with c.£485m of gross proceeds received in 2022 from the sales of Pay360, the Technology and Property pillars, and Capita Translation and Interpreting, as well as those announced in 2021.

Our disposals programme has enabled us to meet £440m of debt maturities in 2021 and 2022. We continue to reduce other financial obligations, including in respect of our pension deficit through additional contributions, and our property footprint which yielded a further reduction in lease liabilities of £40m.

While market conditions have been challenging in some areas, we continued to see good interest in the businesses remaining to be sold within Portfolio. Operationally, we have maintained our strong delivery for clients in this area. The division now has £249.8m revenue and £26.9m of profit, before the allocation of Group overheads in 2022.

The closed book Life & Pensions business unit, which sits in Experience, continues to negatively affect the Group's cash performance, as the costs of servicing a small number of legacy contracts significantly outweigh client cash receipts. The cash outflow from this business unit is forecast to remain broadly unchanged. However, we continue to deliver operationally well for these clients and, while we support those that remain core to our Financial Services vertical, these contracts are an area of continued focus from management, as we look to reduce the adverse cash flow impact on the Group.

Outlook

While the current economic and broader political environments create some uncertainty, we believe that the transformation of Capita that we completed in 2021, and the financial turnaround of the business we delivered in 2022, places the business in a strong position to deliver successfully, moving forwards.

We expect that our market positioning, transformed business model and focus on opportunities in the digitally enabled BPS space will enable us to continue to accelerate revenue growth into 2023 and to deliver profit growth and positive free cash flow over the medium term.

Jon Lewis
Chief Executive Officer

1. Refer to APMs on pages 229 to 231.

Capita Public Service

Capita Public Service is the number one[2] strategic supplier of Software and IT Services (SITS) and business process services (BPS) to the UK Government.

> "Public Service is well positioned, benefiting from its breadth of coverage, domain understanding and scale."
>
> **Alistair Murray**
> CEO, Capita Public Service

Adjusted revenue[1]

£1,445.3m

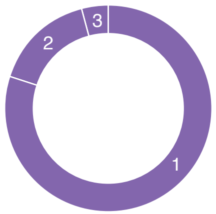
(2021: £1,410.4m) 2.5%

Adjusted operating profit[1]

£91.5m

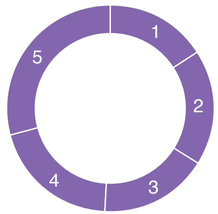
(2021: £93.2m) (1.8)%

Adjusted revenue by type (%)



1 80% Long-term contractual
2 16% Short-term contractual
3 4% Transactional

Revenue by market (%)



1 16% Education & Learning
2 18% Local Public Services
3 17% Health & Welfare
4 20% Defence, Fire & Security
5 29% Justice, Central Government & Transport

Financial performance

Divisional financial summary	2022	2021	Change %
Adjusted revenue[1] (£m)	**1,445.3**	1,410.4	2.5
Adjusted operating profit[1] (£m)	**91.5**	93.2	(1.8)
Adjusted operating margin[1] (%)	**6.3**	6.6	
Adjusted EBITDA[1] (£m)	**130.0**	138.7	(6.3)
Cash generated from operations before business exits[1] (£m)	**95.4**	66.5	43.5
Order book (£m)	**2,985.0**	3,286.3	(9.2)

Business units

- Education & Learning
- Local Public Services
- Health & Welfare
- Defence, Fire & Security
- Justice, Central Government & Transport

Employees

- 11,700

Client distribution

- UK

Major contract wins and renewals

- A three-year extension to our Primary Care Support England contract, worth £94m
- £85m additional growth and scope, including the Submarine Training Centre on the Royal Navy training contract
- An extension to the current 10-year Barnet contract, worth up to £57m over three years
- Appointment as an HMRC automation partner, which over four years could be worth up to £20m

Competitors

- Fujitsu
- Atos
- Sopra Steria
- CGI
- TCS
- Cognizant
- Accenture
- DXC Technology
- BJSS
- Cap Gemini
- Kainos
- Serco
- Maximus

1. Refer to APMs on pages 229 to 231.
2. TechMarketView.

Capita Public Service is structured across five market verticals: Education & Learning; Local Public Services; Health & Welfare; Defence, Fire & Security; and Justice, Central Government & Transport; as well as the non-consolidated Smart DCC subsidiary.

Our markets and growth drivers

Government spending in the UK with private sector organisations is c.£176bn[2]. Our current core addressable market is c.£13.9bn[2] growing at c.5%[2] per annum. Digital BPS is a fast-growing area, while BPO is currently shrinking, reflecting the Government's focus on digitally-enabled transformation.

While broader market dynamics and macroeconomics are expected to continue to be challenging during 2023, Public Service is well positioned, benefiting from its breadth of coverage, domain understanding and scale, together with sales and delivery capabilities in each vertical, offering efficient solutions and cost savings during times of fiscal strain.

In 2022, the UK Government published the Roadmap for Digital and Data outlining its intention to spend up to an additional £8bn by 2025 to accelerate digital, data and technology transformation in order to better respond to future macroeconomic challenges.

In 2022, we reinforced our position as an important strategic supplier to the UK Government

Our placement on digital frameworks and the shift in the BPS market to become more digital and data-enabled provides an opportunity as the Government seeks more cost-efficient and effective services, while improving overall citizen experience.

Across the variety of services that Public Service provides, we compete with a number of other providers within this fragmented market including but not limited to Fujitsu, Atos, Sopra Steria, CGI, TCS, Cognizant, Accenture, DXC Technology, BJSS, Cap Gemini, Kainos, Serco and Maximus.

Our strategy

Our strategy is to create better outcomes, using our consult-transform-deliver approach.

Public Service is executing on a digital strategy transformation programme, materially investing in our digital capabilities to create a preferred technology stack and IT ecosystem, alongside our traditional BPO business. This investment will underpin our ambition to transform the way we work, in line with the UK Government's evolving demand for digital solutions.

We look to leverage our vast experience of delivering and integrating end-to-end processes by deploying our digital capability in partnership with our UK Government clients to help them increase their operational efficiency and improve the outcomes for UK citizens.

In 2022, we reinforced our position as an important strategic supplier to the UK Government, reflecting continuous improvements in our delivery and strengthened balance sheet. As Capita has won and delivered more digital transformation and IT contracts across the public sector, the Government now regards us as a digital service provider alongside delivering traditional, complex outsourcing scopes of work.

Our strength is in understanding our clients' needs and problems with our deep sector knowledge and client partners in our chosen verticals working with relevant Government departments. We have invested in our coverage on Government frameworks, through which companies are able to bid for Government contracts, and we are now included on frameworks representing market access of up to £9.5bn.

We are working with the Government to understand how it expects the transition to digital delivery to be completed, with opportunities in our Health & Welfare, and Defence, Fire & Security, and Justice, Central Government & Transport verticals.

We saw success in this journey across a variety of contracts in 2022. In May, we were appointed as HMRC's new automation and innovation partner to develop, deploy and support robotic software and other automation tools in order to simplify processes and drive operational efficiency.

2. TechMarketView.

Our operational delivery remained consistently strong across the contract portfolio

Utilising our internally developed GrantIS platform, we successfully accelerated funding applications with the Department for Education for the 38,000 applications on the Turing Scheme and the product remains in use on a contract with the Department for International Trade. We believe there are a number of further applications for GrantIS within the grant management and wider distribution market.

During the year, we set up a client advisory board to improve our understanding of Government bid processes and requirements to help us become an even more effective service provider. In the long term, we expect this to improve win rates, our origination of bids, and our cNPS, as we see further alignment in our offerings.

Growth

Across the year, we intensified our customer focus through client partnering, with a professionalised sales force, to deliver high growth alongside strong operational outcomes.

Public Service won contracts with £1,218m (2021: £2,422m) TCV. The total TCV won decreased from the prior year reflecting the somewhat lumpy nature of the Government large contract sales pipeline and, in particular, the benefit in 2021 from the £925m Royal Navy training contract award. We saw certain material bid timelines pushed into 2023, particularly in the second half of the year, following a number of changes within the UK Government. As a result, the division's weighted pipeline has increased by £419m to £1,652m, and the 2022 book to bill ratio was 0.8x.

At 31 December 2022, the total unweighted pipeline was £7,858m, a decrease of £291m from December 2021, reflecting the TCV won in the year and the number of additions to the pipeline across the year.

We continue to see strong performance on contract renewals with a 91% win rate across renewals bid for, with extensions with NHS England, Barnet Council, the Department for Work and Pensions, and the Northern Ireland Education Authority. On all opportunities bid for, we saw a success rate of 67%.

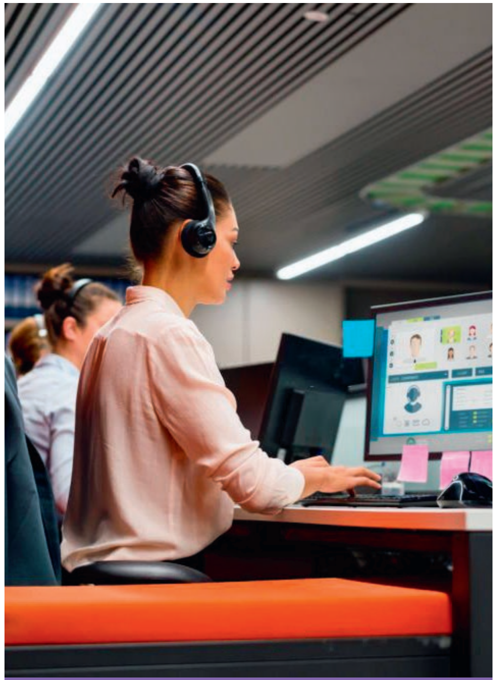
The order book at 31 December was £2,985m, a decrease of £301m since 31 December 2021, as revenue recognised was not offset by order book additions in the year.

Cost and operational excellence

Across the year, we focused on further embedding the operating model introduced in 2021 to ensure it met our clients' needs across a broad range of services with improved cross-sell opportunities. There have been natural efficiencies from the division's matrix operating model and we are now looking at the digital tools and investments to reduce future costs, as we enhance the scalability of solutions.

The division's standalone cNPS improved by nine points from 2021 to an overall score of +33, including many of our key clients, reflecting the commitment to client delivery and consistent outcomes achieved during the year.

In 2022 our operational delivery remained consistently strong across the contract portfolio, with strong performance against all contract KPIs; for example, we delivered on all the key milestones on the Royal Navy training contract and have now started running the Royal Navy's maritime composition training system. In addition, we launched the Aviation Fire Programme at the Fire Service College, while the Job Entry Targeted Support contract delivered in 18 months more than 1.5x the target number of job starts. Within our Smart DCC subsidiary there are now 10 million first generation meters connected to the DCC secure nationwide network.



In April 2022, Capita secured a two-year contract extension with Northern Ireland's Education Authority to continue to deliver the managed IT service for all of Northern Ireland's 1,100 schools

In 2022, we delivered on all the key milestones of our Royal Navy training contracts, and have now started running the Navy's maritime composition training system

This consistent performance has reduced the financial burden on the division, with the major contracts now delivering improving profit and cash flow, alongside growth opportunities such as the Submarine Training Centre and with our TfL Road User Charging contract.

We have now commenced investment to underpin efficient operations in future years, automating common operational activities, with financial payback expected from 2023. We are increasingly using shared service centres to provide resourcing flexibility and to ensure we service our contracts consistently.

Financial performance

Adjusted revenue[1] increased by 2.5% to £1,445.3m, reflecting the annualisation of the Royal Navy training contract and additional growth opportunities within the contract and wins such as the Northern Ireland teachers IT refresh contract. Revenue also benefited from additional volumes in the Justice, Central Government & Transport vertical and the running of the first full test cycle of primary school curriculum assessments in England for the Standards and Testing Agency (STA), following cancellation of the previous year's test cycle due to Covid restrictions. There were contract handbacks in the year within our Local Public Services vertical, as well as the cessation of our contract with The Pensions Regulator.

Adjusted operating profit[1] decreased by 1.8% to £91.5m, reflecting the mix of work and reduced margin on the British Army Recruiting Partnering Project (RPP) contract as it moved into the next phase of service delivery. This was offset by the non-recurrence of significant restructuring spend in 2021 (£5m) and margin from contract wins and increases in volumes. The division also benefited from the mutual conclusion of the Electronic Monitoring Service transformation programme in 2021, which resulted in £9m of costs being incurred in the prior year.

Cash generated from operations before business exits[1] increased by 43.5% to £95.4m, reflecting the working capital benefit from contracts moving into the operational phase, offset by utilisation of customer contract provisions in 2022. The 2021 cash flow was impacted by the repayment of deferred VAT from 2020.

Outlook

In 2023, we expect accelerated revenue growth, particularly in our Education & Learning, and Defence, Fire & Security verticals, as volumes on existing contracts and transactional revenue increase.

Improvements in the division's operating margin are expected to be achieved, as we continue to win work at appropriate rates of return and efficiencies are realised from our simplified organisation and technology investment.

1. Refer to APMs on pages 229 to 231.

Capita Experience

Capita Experience is one of western Europe's leading customer experience businesses. It is the market leader in the UK[4] and ranks fifth in Germany[4] and Europe[4].

Adjusted revenue[1]

£1,150.7m

(2021: £1,140.9m) 0.9%

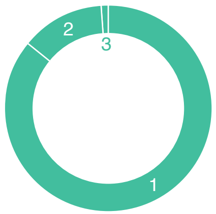
Adjusted operating profit[1]

£38.5m

(2021: £8.9m) 332.6%

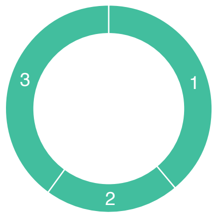
> **"Our service-delivery options across different geographies offer our clients flexibility and provide a growth opportunity going forward."**
>
> **Corinne Ripoche**
> CEO, Capita Experience

Adjusted revenue by type (%)



1 86% Long-term contractual
2 13% Short-term contractual
3 1% Transactional

Revenue by market (%)



1 39% Telecoms, Media & Technology
2 21% Multi-industry
3 40% Financial Services

Financial performance

Divisional financial summary	2022	2021	Change %
Adjusted revenue[1] (£m)	1,150.7	1,140.9	0.9
Adjusted operating profit[1] (£m)	38.5	8.9	332.6
Adjusted operating margin[1] (%)	3.3	0.8	
Adjusted EBITDA[1] (£m)	113.4	93.2	21.7
Cash generated from/(used by) operations before business exits[1] (£m)	30.7	(4.8)	n/a
Order book (£m)	2,526.7	2,271.8	11.2

Business units (new split from 2023)

- Telecoms, Media & Technology
- Financial Services
- Energy & Utilities
- Retail

Employees

- 31,000

Client distribution

- UK, Ireland, Germany and Switzerland

Delivery centres

- UK, South Africa, India and Poland

Major contract wins and renewals

- A five-year contract extension worth £456m to administer the TV licence fee on behalf of the BBC
- Extensions worth up to £40m across our Plusnet and Samsung contracts
- A new logo win with ScottishPower worth up to £63m over five years

Competitors

- Atento
- Teleperformance
- Webhelp
- Accenture
- Concentrix
- T-Tech
- Sykes Enterprises
- Firstsource
- Majorel
- In-sourcing trend

1. Refer to APMs on pages 229 to 231.
4. NelsonHall.

Experience is now structured around four core industries: Financial Services; Technology Media & Telco (TMT); and, following the separation of our Multi-industry vertical, Energy & Utilities and Retail.

Our markets and growth drivers

The global customer experience market is worth £277bn[5] a year and the outsourced element is expected to grow at c.5% per annum. Around 28%[5] of the market is currently outsourced.

We are the largest provider of customer experience services in the UK and Ireland, with a market share of around 12%[4]. Our competitors within the customer experience segment are mostly global and include peers such as Teleperformance, Webhelp, Concentrix and Majorel.

The market continues to trend towards self-service and automation, with clients looking to utilise omni-channel offerings, with increased multilingual capabilities and capacity, and agents working remotely both on and offshore.

The changing economic landscape poses an opportunity for Experience, particularly within our Financial Services and Energy & Utilities industry verticals, as institutions in these sectors have a key role to play in helping vulnerable customers through periods of uncertainty, and empathetic human intervention is required for those who need it most.

Renewal rates continue to remain high for the division, with 99% of bids successful

Capita Experience digital ecosystem

Our strategy

The long-term strategy of the core business is to be a leading customer experience service provider delivering better outcomes for our clients through a consultative approach underpinned by data and technology.

Experience has an extensive blue-chip customer list and we have increasingly seen our customer base diversify, with wins this year in the FinTech sector.

In 2022 we introduced a single divisional operating model, with more consistent leadership and improved rigour across the service delivery process. Using our matrix operating model, we are able to meet resourcing needs with an agile and flexible workforce available to serve across various contracts as demand requires, such as for peak sale periods. Our operating model helps us stay competitive within the market and allows us to manage resources around client demands with an end-to-end delivery model.

4. NelsonHall.
5. Everest.

We are a trusted partner and adviser for clients, with omni-channel delivery options allowing for both self-service and human-contact options based on the nature of the experience required. The division has an advanced toolkit of services including speech analysis and real-time feedback to ensure customers get the best outcomes seamlessly.

Our service-delivery options across different geographies offer our clients flexibility and provide a growth opportunity going forward. In 2022, alongside expanding our operations in India and Durban, South Africa, we expanded into additional cities in Poland to support delivery of our services in 35 different languages with 24/7 support. These sites will be important strategic hubs for our future growth and further expansion of our multilingual capabilities.

Growth

At 31 December 2022, the total unweighted pipeline was £4,082m, a decrease of £1,388m from 31 December 2021. The division won TCV of £1,371m, an increase of 71% from 2021. Significant wins in the year included renewals with the BBC (providing TV licensing collection, management and administration) and with freenet AG (providing customer services support for the German telecommunications and digital services company) within our international business in TMT. There were multiple wins within the Financial Services vertical, reflecting our strength in this area.

The weighted pipeline at 31 December 2022 stood at £1,114m (2021: £1,566m) reflecting the TCV won during the year. The divisional book to bill was 1.2x, an improvement from 0.7x in 2021, an important milestone on the division's business-improvement journey.

Renewal rates continue to remain high for the division, with 99% of bids successful as we continue to deliver operationally for clients. Renewals are important in order to maintain a consistent revenue base, but we are also focused on revenue growth from new scopes of work and growth on account where our historical win rates have not been as strong. Our win rate in the division was 52% across all opportunities. Our 2023 pipeline is diverse, with a mixture of new scopes of work and growth on account.

Challenged end-markets meant that we saw a number of significant deal timelines slip into 2023; these included a number of new clients in the TMT vertical and renewals within our Energy & Utilities and Retail industry verticals.

The order book at year end was £2,527m, an increase of £255m since 31 December 2021, reflecting the contract wins in the year which more than offset revenue recognised in the year.

Cost and operational excellence

Throughout 2022, our matrix structure delivered operational excellence while delighting clients, as evidenced by our consistent KPI performance and +10 point improvement in cNPS, to an overall score of +19.

As with many competitors in our markets, employee attrition remained high, and we adapted our business model across the year, while taking action to address the higher level of attrition. We moved to using a demand-led resource model, allowing us to resource all full-time employee requirements on our contracts. Attrition will remain a key area of focus in 2023, as well as being an area of further cost-reduction opportunity, as we reduce attrition levels and improve employee retention.

We delivered well for our clients during the year; for example, after winning the ScottishPower contract in June, we transferred 400 people from the previous service provider to Capita Experience with no impact on functionality or service delivered to customers. Working with another client in the energy sector, we more than doubled the existing team to improve customer service, responding to the additional volume requirements during the ongoing energy crisis, reducing response times by 30% and improving quality scores by 10%.

Capita has secured a five-year agreement to deliver frontline customer support services for ScottishPower customers across the UK

Capita has secured a five-year contract extension to continue to administer the TV licence fee in the UK

In addition, we worked with Marks & Spencer deploying conversational AI, outperforming the previous incumbent with a 10% increase in customers able to self serve. We also worked with an existing customer on a consulting basis to categorise all incoming calls across their entire estate and use data analytics to improve and add value to the overall customer experience. This type of consulting engagement is an important growth area for the division, as we boost our BPO and BPS services, while improving the end-customer journey.

We have seen further volume attrition within our closed book Life & Pensions business unit, in line with our expectations. The business unit is forecast to be loss-making with a consistent cash outflow in future years, with a provision held reflecting this. We continue to deliver operationally well for these clients but remain focused on resolving the structural challenge in this area to reduce ongoing cash losses.

Elsewhere in the regulated services business, Pensions Administration continues to perform well and activity levels improved further in 2022. Within the Financial Services vertical, we invested in our mortgage business to create a customer-focused IT platform and ecosystem, allowing an end-to-end service to clients, which supports our growth ambitions in this area.

Financial performance

Adjusted revenue[1] increased by 0.9% to £1,150.7m, reflecting price increases and wins in the year including ScottishPower and international wins in Germany and Switzerland which offset the final-year impact of prior-year losses. The division saw lower volumes with continued attrition within the closed book Life & Pensions contracts.

Adjusted operating profit[1] increased by 332.6% to £38.5m. The result in 2021 was impacted by the recognition of provisions and impairments in our closed book Life & Pensions business (£43m) and completion of the Group's significant restructuring where the division incurred £12m of expense in 2021.

As revenue growth becomes more established, operating leverage is expected to drive further margin improvement

Cash generated from operations before business exits[1] increased by £35.5m to £30.7m, with an improvement in working capital benefiting the division's operating cash conversion. The division's cash performance in 2021 was impacted by the repayment of deferred VAT from 2020 together with restructuring spend and recognition of contract-related provisions.

Outlook

While improvements were made during 2022, Experience continues to lag behind Public Service in its business-improvement journey.

In 2023, we expect revenue to be broadly in line with 2022, reflecting continued reductions from contract losses and volume attrition within the closed book Life & Pensions, offset by growth from new wins and growth on account delivered across our market verticals. As we have simplified our go-to-market offering and become more efficient and effective, we expect to deliver mid single-digit growth over the medium term.

As revenue growth becomes more established, operating leverage is expected to drive further margin improvement.

1. Refer to APMs on pages 229 to 231.

Portfolio

Portfolio comprises the remaining non-core businesses which the Group is looking to exit.

Adjusted revenue[1]

£249.8m

(2021: £226.5m) 10.3%

Adjusted operating profit[1]

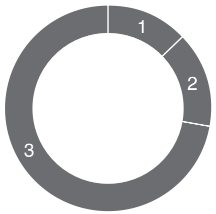
£16.2m

(2021: £(0.1)m) n/a%

"We have made significant progress with the Portfolio disposal programme, helping us simplify and focus the Group for future growth."

Chantal Free
CEO, Capita Portfolio

Adjusted revenue by type (%)



1 **13%** Long-term contractual
2 **15%** Short-term contractual
3 **72%** Transactional

Financial performance

Divisional financial summary	2022	2021	Change %
Adjusted revenue[1] (£m)	**249.8**	226.5	10.3
Adjusted operating profit[1] (£m)	**16.2**	(0.1)	n/a
Adjusted operating margin[1] (%)	**6.5**	–	
Adjusted EBITDA[1] (£m)	**35.6**	24.3	46.5
Cash generated from operations before business exits[1] (£m)	**17.1**	21.2	(19.3)
Order book (£m)	**293.5**	557.3[2]	(47.3)

Business units

- People
- Property (sold during 2022)
- Technology (sold during 2022)
- Software
- Business Solutions
- Travel
- Fera

Employees

- 3,000

Client distribution

- UK

Major contract wins and renewals

- A renewal with an energy company within the People pillar worth £5m
- There were a number of new clients and renewals within the Retain business with total TCV won over £7m

1. Refer to APMs on pages 229 to 231.

2. Includes businesses subsequently disposed of in 2022

Since the division was formed in 2021 we have made significant progress with the Portfolio disposal programme, helping us simplify and focus the Group for future growth. This year the division raised more than £330m gross proceeds from completed disposals.

Our markets and growth drivers

Portfolio is made up of a range of businesses which service public and private sector clients across multiple, generally mature, markets and sectors.

We enjoy strong positions in many of the markets where we operate, with strong brands and positive client perception of our services.

Our strategy

The division is organised into pillars comprising businesses of similar characteristics: People, Software, Business Solutions, Travel, and the Fera joint venture with the UK Government, to allow for efficient management and to facilitate smooth transaction processes.

During 2022, we successfully completed the disposal of the Technology and Property pillars, as well as Capita Translation and Interpreting within the Business Solutions pillar, together with those announced in 2021, achieving gross proceeds of c.£330m from these disposals.

Cost and operational excellence

The pillars within Portfolio continue to deliver a strong operational service for clients and the division has seen its fourth consecutive improvement in its annual cNPS score.

During the year, our travel business, Agiito, won a number of awards, including being recognised in the Top 50 Business Travel Agencies. Within our Fera business, we opened an expert insect bioconversion research and development facility to support the needs of global clients across the industry.

We are working to ensure ongoing cost efficiency in the division ahead of the completion of the disposal programme, through successful vacancy management and redeployment of employees across the wider Group.

Financial performance

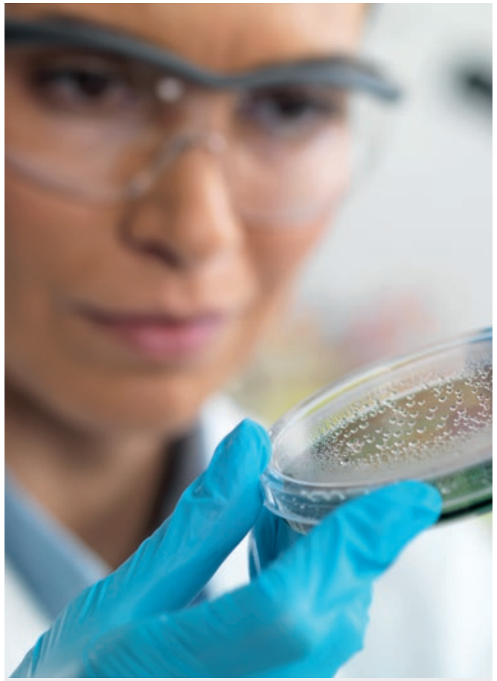
Adjusted revenue[1] increased 10.3% to £249.8m as pillars within Portfolio continued to recover from subdued trading during the Covid-19 pandemic, particularly within our Agiito and Enforcement businesses.

Adjusted operating profit[1] increased from break even to £16.2m, reflecting revenue growth and the benefit from the non-repeat of £2.3m significant restructuring costs incurred in 2021. This more than offset the cost of operational investment in some pillars.

Cash generated from operations before business exits[1] decreased by 19.3% to £17.1m driven by working capital requirements as the division recovers from Covid-19, which more than offset the improvement in EBITDA.

Outlook

We are targeting for the majority of the remaining businesses within Portfolio to be disposed of during the first half of 2023, depending on general market conditions.



Fera Science launched a £1m laboratory for insect bioconversion in York

1. Refer to APMs on pages 229 to 231.

A turnaround in financial performance

"Accelerated revenue growth, a step change in profitability and positive free cash flow."

Tim Weller, Chief Financial Officer

Overview

Improved adjusted revenue[1] growth was in line with our expectations, with an acceleration across the year from 1% in the first half to 4% in the second half. This was driven by strong growth in the Public Service and Portfolio divisions and stabilisation of revenues in the Experience division.

Public Service revenue growth was underpinned by new wins such as the Northern Ireland teachers IT refresh contract and annualisation of the Royal Navy training contract offset by revenue reductions in some Local Public Service contracts. Experience revenue was impacted by significant prior year contract losses, offset by new wins, including those in International and with ScottishPower.

Growth in our transactional business was mainly driven by Portfolio, including the Travel and Enforcement businesses, which continued their recovery following Covid-related constraints.

From 1 January 2022, the Board has limited the items excluded from the adjusted results to business exits, amortisation and impairment of acquired intangibles, impairment of goodwill and certain fair value adjustments which impact net finance income/expense. This presentation

Summary of financial performance

	Financial highlights					
	Reported results – continuing operations			Adjusted[1] results – continuing operations		
	31 December 2022	31 December 2021	Reported YOY change	31 December 2022	31 December 2021	Adjusted YOY change
Revenue	**£3,014.6m**	£3,182.5m	(5.3)%	**£2,845.8m**	£2,777.8m	2.4%
Operating profit/(loss)	**£(79.6)m**	£(86.6)m	8%	**£102.9m**	£(77.7)m	n/a
EBITDA	**£235.7m**	£222.3m	6%	**£238.8m**	£143.0m	67%
Profit/(loss) before tax	**£61.4m**	£285.6m	(79)%	**£73.8m**	£(122.8)m	n/a
Earnings/(loss) per share	**4.47p**	13.33p	(67)%	**6.20p**	(7.74)p	n/a
Cash generated from/(used by) operations*	**£117.8m**	£(148.5)m	n/a	**£116.5m**	£(109.7)m	n/a
Free cash flow*	**£24.5m**	£(264.3)m	n/a	**£29.0m**	£(218.6)m	n/a
Net debt	**£(482.4)m**	£(879.8)m	£397.4m	**£(482.4)m**	£(879.8)m	£397.4m
Net financial debt (pre-IFRS 16)	**£(84.9)m**	£(431.4)m	£346.5m	**£(84.9)m**	£(431.4)m	£346.5m

* Cash generated from operations adjusted results and free cash flow adjusted results are free cash flow before business exits and cash generated from operations before business exits respectively (refer to note 2.10)

1. Refer to APMs on pages 229 to 231.

provides a more representative measure of the underlying performance of the business following completion of the Group-wide transformation. The comparatives have been re-presented on the same basis, with significant restructuring (£147.5m), contract-related provisions and impairments (£43.1m) and certain litigation and claims (credit £2.3m) now included within adjusted results for the year ended 31 December 2021.

The increase in adjusted profit before tax[1] reflects the above change in presentation, and therefore benefits from the reduction in restructuring costs and contract-related provisions and impairments, as well as the benefit of revenue growth. In 2021, the Group received £4.9m of funding under the coronavirus job retention scheme made available by the Government to help ease the employment impact of Covid-19. In May 2022, we announced the Group's intention to repay the 2021 furlough-related income at the end of the Group's publicly stated disposal programme and no later than the end of June 2023. An accrual has been recognised for this repayment in the year ended 31 December 2022.

The decrease in reported profit before tax arose as the increase in adjusted profit before tax[1] was more than offset by an increase in impairments of goodwill, a reduction in operating profit from business exits and a lower gain on the sale of businesses.

From 1 January 2022, the Board considers free cash flow and cash generated from operations before business exits each to be alternative performance measures that provide a more representative measure of the sustainable cash flow of the Group following completion of the Group-wide transformation.

Cash generated from operations before business exits[1] increased by £226.2m to £116.5m benefiting from the improvement in adjusted profit[1] explained above, a reduction in repayments in respect of the Government's VAT deferral scheme and a £43.6m reduction in pension deficit contributions as the Group reverts to the agreed deficit contributions set as part of the 2020 triennial funding agreement with the pension scheme trustees.

Free cash flow before business exits[1] for the year ended 31 December 2022 was an inflow of £29.0m (2021: £218.6m outflow). The improvement primarily reflected the above increase in cash generated from operations before business exits[1], and a reduction in net interest paid in respect of leases and private placement loan notes.

As part of our drive for simplification of the business, and strengthening the balance sheet, we continue to seek to dispose of a number of non-core businesses. During the year we completed the disposal of eight businesses, realising total proceeds net of disposal costs of £463.4m (including settlement of intercompany balances on completion) with net cash proceeds of £387.9m reflecting the cash held in the disposed entities on completion.

These disposals form part of the Board-approved disposal programme. The sale processes have been launched for the remaining pillars in the Portfolio division. The Group expects to use the proceeds from this disposal programme to repay debt, to make accelerated deficit reduction contributions to the Group's defined benefit pension scheme and to invest in driving growth in the remaining core businesses. During the year, we repaid £226.7m of private placement loan notes and made pension deficit contributions of £38.6m (£30.0m regular contributions and £8.6m acceleration of agreed contributions triggered by disposals).

Liquidity as at 31 December 2022 was £405.2m, made up of £288.4m of the undrawn element of our committed revolving credit facility (RCF) and £116.8m of unrestricted cash and cash equivalents net of overdrafts. In July 2022, we extended the RCF to 31 August 2024.

Adjusted results

Capita reports results on an adjusted basis to aid understanding of business performance. The Board has adopted a policy of disclosing separately those items that it considers are outside the underlying operating results for the particular period under review and against which the Group's performance is assessed internally. In the directors' judgement, these items need to be disclosed separately by virtue of their nature, size and/or incidence for users of the financial statements to obtain an understanding of the financial information and the underlying in-period performance of the business.

In accordance with the above policy, the trading results of business exits, along with the non-trading expenses and gain or loss on disposals, have been excluded from adjusted results. To enable a like-for-like comparison of adjusted results, the 2021 comparatives have been re-presented to exclude 2022 business exits. As at 31 December 2022, the following businesses met this threshold and were classified as business exits and therefore excluded from adjusted results in both 2022 and 2021: ESS, AXELOS, Life Insurance and Pensions Servicing business in Ireland, AMT Sybex, Secure Solutions and Services, the Speciality Insurance business, Trustmarque, Real Estate and Infrastructure Consultancy, Optima Legal Services, Pay360 and Capita Translation and Interpreting.

Reconciliations between adjusted and reported operating profit, profit before tax and free cash flow before business exits are provided on the following pages and in the notes to the financial statements.

1. Refer to APMs on pages 229 to 231.

Adjusted revenue

Adjusted revenue[1] growth of 2.4% was in line with expectations. The adjusted revenue[1] was impacted by the following:

- **Public Service (2.5% growth):** growth from contract wins, including a contract to supply laptops to teachers in Northern Ireland as well as the annualised benefit of the Royal Navy training contract, increased growth in existing contracts in Central Government, and completion of a full test cycle on STA, offsetting handbacks in Local Government;
- **Experience (0.9% growth):** stabilisation in revenue, with the impact of significant prior year contract losses offset by positive revenue contributions in particular from new client wins in International and with ScottishPower; and
- **Portfolio (10.3% growth):** growth in transactional revenue mainly from Travel and Enforcement following the turnaround in these Covid-19 impacted businesses.

Order book

The Group's consolidated order book was £5,805.2m at 31 December 2022 (2021: £6,115.4m). Additions from contract wins, scope changes and indexation in 2022 (£2,110.2m), including the BBC and freenet AG extensions within Experience, and Personal Independence Payments and TfL Road User Charging within Public Service, were offset by the reduction from revenue recognised in the year (£2,132.3m), contract terminations (£8.1m) and business disposals (£280.0m).

Adjusted profit before tax

Adjusted profit before tax[1] increased in 2022. The adjusted profit before tax[1] was driven by the following:

- **Public Service:** benefits from the wins in 2022, the annualised benefit of the Royal Navy training contract and the non-recurrence of Electronic Monitoring programme costs in 2021; offset by a reduction on the British Army recruitment contract (RPP) resulting from transition to the next phase of service delivery;
- **Experience:** flow through of prior year losses including 3UK, William Hill and in the closed book Life & Pensions business. 2021 was impacted by provisions and impairments in the closed book Life & Pensions business and completion of significant restructuring;
- **Portfolio:** benefits from post Covid-19 recovery in transactional businesses and the non-repeat of 2021 restructuring costs; offset by operational investment in certain businesses; and
- **Capita plc:** benefits from the end of the transformation programme (2021 included £128.0m of significant restructuring) and efficiencies realised; offset by the effect of the announced intention to repay the 2021 furlough-related income.

Adjusted revenue[1] bridge by division

	Public Service £m	Experience £m	Portfolio £m	Total £m
Year ended 31 December 2021	1,410.4	1,140.9	226.5	2,777.8
Net growth	34.9	9.8	23.3	68.0
Year ended 31 December 2022	**1,445.3**	**1,150.7**	**249.8**	**2,845.8**

Adjusted profit before tax[1] bridge by division

	Public Service £m	Experience £m	Portfolio £m	Capita plc £m	Total £m
Year ended 31 December 2021	93.2	8.9	(0.1)	(224.8)	(122.8)
Net growth/(reduction)	(1.7)	29.6	16.3	152.4	196.6
Year ended 31 December 2022	**91.5**	**38.5**	**16.2**	**(72.4)**	**73.8**

Cash generated from operations and free cash flow

Adjusted EBITDA[1] increased by 67% reflecting the improvement in adjusted profit[1] explained above and the significant reduction in depreciation, amortisation and impairment of property, plant and equipment and intangible assets, largely driven by the Group's property rationalisation programme.

Cash generated from operations before business exits[1] benefited from the improvement in adjusted EBITDA[1], a lower working capital outflow compared with 2021, materially lower deferred VAT repayments and pension deficit contributions; offset by a reduction in non-cash and other adjustments.

The lower working capital outflow arises from contracts moving into the operational phase and increased utilisation of non-recourse trade receivables financing in 2022.

The reduction in non-cash and other adjustments reflects utilisation of customer contract provisions in 2022 compared with provision recognition in 2021, and the utilisation of the remaining restructuring provision.

Free cash flow before business exits[1] for the year ended 31 December 2022 was an inflow of £29.0m (2021: outflow £218.6m). The improvement reflected the above increase in cash generated from operations before business exits[1], a reduction in capital expenditure, and net interest paid in respect of leases and the Group's private placement loan notes.

Adjusted operating cash conversion[1] increased to 68% (2021: 48%).

1. Refer to APMs on pages 229 to 231.

Reported results

Adjusted to reported profit

As noted above, to aid understanding of our underlying performance, adjusted operating profit[1] and adjusted profit before tax[1] exclude a number of specific items, including the amortisation and impairment of acquired intangibles and goodwill, and the impact of business exits.

Impairment of goodwill

In preparing the half-yearly condensed consolidated financial statements at 30 June 2022, and these consolidated financial statements at 31 December 2022, the Group undertook detailed impairment reviews.

At 30 June 2022 a goodwill impairment of £92.5m was recognised in respect of the People and Property CGUs, and at 31 December 2022 a further goodwill impairment of £76.5m was recognised in respect of the People, Travel and Business Solutions CGUs, in the Group's Portfolio division. The impairments reflected the difference between the expected net proceeds at disposal and the cash flows the Group had previously projected it would generate if it held these businesses into perpetuity. The difference has arisen due to the potential for acquirers factoring in additional investment and costs required to run the businesses on a standalone basis, coupled with general macroeconomic conditions.

Refer to note 3.4 to the consolidated financial statements for further details.

Business exits

Business exits include the effects of businesses that have been disposed of or exited during the period and the results of businesses held-for-sale at the reporting date.

In addition, business exits include the exit costs, including professional fees, salary costs and separation planning costs, relating to further planned disposals for which the held-for-sale and business exit criteria were not met at 31 December 2022.

In accordance with our policy, the trading results of these businesses, along with the non-trading expenses and gain on disposal, were classified as business exits and therefore excluded from adjusted results. To enable a like-for-like comparison of adjusted results, the 2021 comparatives have been re-presented to exclude the 2022 business exits.

Adjusted operating profit to free cash flow before business exits[1]

	2022 £m	2021 £m
Adjusted operating profit/(loss)[1]	**102.9**	(77.7)
Add: depreciation/amortisation and impairment of property, plant and equipment and intangible assets	**135.9**	220.7
Adjusted EBITDA[1]	**238.8**	143.0
Working capital	**(32.7)**	(113.6)
Non-cash and other adjustments	**(44.7)**	38.6
Operating cash flow before business exits[1]	**161.4**	68.0
Deferred VAT repayment	**(14.9)**	(104.1)
Pension deficit contributions	**(30.0)**	(73.6)
Cash generated from/(used by) operations before business exits[1]	**116.5**	(109.7)
Net capital expenditure	**(43.6)**	(51.2)
Interest/tax paid	**(43.9)**	(57.7)
Free cash flow before business exits[1]	**29.0**	(218.6)

Reported to adjusted[1] profit bridge

	Operating profit/(loss)		Profit/(loss) before tax	
	2022 £m	2021 £m	2022 £m	2021 £m
Reported	**(79.6)**	(86.6)	**61.4**	285.6
Amortisation and impairment of acquired intangibles	**5.1**	7.7	**5.1**	7.7
Impairment of goodwill	**169.0**	11.5	**169.0**	11.5
Net finance costs	**—**	—	**(3.4)**	1.4
Business exits	**8.4**	(10.3)	**(158.3)**	(429.0)
Adjusted	**102.9**	(77.7)	**73.8**	(122.8)

1. Refer to APMs on pages 229 to 231.

At 31 December 2022 business exits primarily comprised:

Business	Disposal completed on
AMT Sybex	1 January 2022
Secure Solutions and Services	3 January 2022
Trustmarque	31 March 2022
Speciality Insurance	29 April 2022
Real Estate and Infrastructure Consultancy	22 September 2022
Optima Legal Services	30 November 2022
Pay360	1 December 2022
Capita Translation and Interpreting	29 December 2022

Further businesses are planned for disposal as part of the Group's simplification strategy. However, given the status of the relevant disposal processes, the businesses did not meet the criteria to be classified as assets held-for-sale at 31 December 2022 and, accordingly their trading results are included within adjusted results.

Further detail of the specific items charged in arriving at reported operating profit and profit before tax for 2022 is provided in note 2.4 of the consolidated financial statements.

Taxation

The reported income tax credit for the year of £14.6m (2021: charge £61.5m) and the adjusted income tax credit for the year of £31.8m (2021: charge of £4.0m) reflect the recognition of additional deferred tax assets of £36.7m (net of a £16.7m change in the deferred tax asset estimate due to the reduction in future taxable profits on disposal of taxable entities, reflected in the tax arising on business exits). These losses mainly arose due to the adoption of IFRS 15, Covid-19 related downward pressures on the profits and tax deductible restructuring costs in previous years.

Free cash flow to free cash flow before business exits

Free cash flow was lower than free cash flow before business exits[1] principally reflecting pension deficit contributions triggered by the disposal of Trustmarque and AXELOS, offset by free cash flows generated by business exits.

Movements in net debt

Net debt at 31 December 2022 was £482.4m (2021: £879.8m). The substantial reduction in net debt reflects the benefit of the Group's positive free cash flow generation, the proceeds from disposals, coupled with the impact of the ongoing programme of leased property estate exits.

Free cash flow to free cash flow before business exits[1]

	2022 £m	2021 £m
Free cash flow	**24.5**	(264.3)
Business exits	**(4.1)**	(36.2)
Pension deficit contributions triggered by disposals	**8.6**	81.9
Free cash flow before business exits[1]	**29.0**	(218.6)

Net debt

	2022 £m	2021 £m
Opening net debt	**(879.8)**	(1,077.1)
Cash movement in net debt	438.2	232.1
Non-cash movements	(40.8)	(34.8)
Closing net debt	**(482.4)**	(879.8)
Remove closing IFRS 16 impact	397.5	448.4
Net financial debt (pre-IFRS 16)	**(84.9)**	(431.4)
Cash and cash equivalents net of overdrafts	177.2	101.5
Financial debt net of swaps	(262.1)	(532.9)
Net financial debt/adjusted EBITDA[1] (both pre-IFRS 16)	**0.5x**	3.7x
Net debt (post-IFRS 16)/adjusted EBITDA[1]	**2.0x**	4.1x

1. Refer to APMs on pages 229 to 231.

Net financial debt (pre-IFRS 16) reduced by £346.5m to £84.9m at 31 December 2022, resulting in a net financial debt to adjusted EBITDA[1] (both pre-IFRS 16) ratio of 0.5x. Over the medium term, following the completion of our Portfolio divestment programme, we will be targeting a net financial debt to adjusted EBITDA[1] (both pre-IFRS 16) ratio for Capita of ≤1.0x.

The Group was compliant with all debt covenants at 31 December 2022.

Capital and financial risk management

Liquidity remains a key area of focus for the Group. Financial instruments used to fund operations and to manage liquidity comprise US private placement loan notes, euro fixed-rate bearer notes, revolving credit facility (RCF), leases and overdrafts.

In July 2022, the Group signed an extension of the £300m forward start RCF with its lending banks for a further twelve months to August 2024. The new facility commenced on 31 August 2022 upon the expiry of the previous RCF and provides the Group with committed liquidity for the cash fluctuations of the business cycle and an allowance for contingencies, and incorporates provisions such that it will partially reduce in quantum as a consequence of specified transactions. The RCF was not drawn upon at 31 December 2022 and had a total committed value of £288.4m.

In addition, the Group has in place a non-recourse invoice discounting facility, utilisation of which has become economically more favourable than drawing under the RCF as prevailing interest rates have increased. As such, the Group has increased its use of the facility across the year with the value of invoices sold under the facility at 31 December 2022 of £44.4m (2021: £16.4m).

1. Refer to APMs on pages 229 to 231.

At 31 December 2022, the Group had £177.2m of cash and cash equivalents net of overdrafts, and £285.5m of private placement loan notes and fixed-rate bearer notes. These debt instruments mature over the period to 2027, with repayment of £66.3m of maturities in 2023 which are expected to be funded through the Group's existing facilities, cash and cash equivalents and from the proceeds of the Group's ongoing divestment programme without the need to obtain new financing. As such, a measured approach will be taken to any potential refinancing with time taken to implement a longer-term debt solution at the appropriate moment.

Going concern

The Board closely monitors the Group's funding position throughout the year, including 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 projections, considering also the committed facilities available to the Group.

The Group and Parent Company continue to adopt the going concern basis in preparing these consolidated financial statements as set out in section 1 to the consolidated financial statements.

Liquidity

	2022 £m	2021 £m
Revolving credit facility (RCF)	**288.4**	385.7
Less: drawing on committed facilities	—	(40.0)
Undrawn committed facilities	**288.4**	345.7
Net cash, cash equivalents net of overdrafts	177.2	101.5
Less: restricted cash*	(60.4)	(54.8)
Liquidity	**405.2**	392.4

* Restricted cash includes cash required to be held under FCA regulations and cash held in foreign bank accounts.

Viability assessment

The Board's assessment of viability over the Group's three-year business planning time horizon is summarised in the viability statement on page 64.

Pensions

Contributions during the year to the Capita Pension and Life Assurance Scheme (the Scheme) have been in line with the contribution schedule agreed with the Trustee of the Scheme following the 31 March 2020 triennial valuation. This includes the acceleration of deficit reduction contributions (£8.6m) triggered due to the disposal of Capita entities during the year.

The net defined benefit pension position for accounting purposes moved from a small net asset at the start of the year (£5.8m) to a larger net asset by 31 December 2022 (£39.6m). The main reasons for this movement were the £38.6m of deficit funding contributions paid into the Scheme (plus a net £0.2m deficit funding contribution in respect of other schemes). Both the value attributed to the pension liabilities and the value of the assets fell materially over the year predominantly due to the material increase in the yields available on both long-dated Government and corporate bonds. Due to the investment strategy adopted by the Trustee of the Scheme the impact of these changes has been broadly hedged so that the value of the assets has moved to a similar degree to the value of the liabilities. Despite the economic events in Q3 2022 that led the Bank of England to purchase Government bonds, the Scheme's Fiduciary Manager confirmed that the Scheme had sufficient liquid assets to meet collateral calls to maintain its hedged positions throughout the year, as well as confirming that there is sufficient buffer against future adverse movements.

The net defined benefit pension position for accounting purposes moved from a small net asset at the start of the year (£5.8m) to a larger net asset by 31 December 2022 (£39.6m)

The valuation of the Scheme liabilities (and assumptions used) for funding purposes (the actuarial valuation) are specific to the circumstances of the Scheme. It differs from the valuation and assumptions used for accounting purposes, which are set out in IAS 19 and shown in these financial statements. The main difference is in assumption principles being used based in the different regulatory requirements of the valuations. Management estimates that at 31 December 2022 the net asset of the Scheme on a funding basis (ie the funding assumption principles adopted for the full actuarial valuation at 31 March 2020 updated for market conditions at 31 December 2022) was approximately £40.0m (2021: net asset £40.0m) on a technical provisions basis. The Trustee of the Scheme has also agreed a secondary more prudent funding target to enable it to reduce the reliance the Scheme has on the covenant of the Group. On this basis, at 31 December 2022, the funding level was around 96% (or a net liability of £50m). The deficit of £50m is expected to be met by a mixture of the remaining deficit contributions and asset outperformance.

The next triennial valuation of the Scheme is due as at 31 March 2023, where the Trustee of the Scheme and the Company will review the contributions being paid to the Scheme. The 2023 triennial valuation is expected to be completed in 2024.

Consolidated balance sheet

At 31 December 2022 the consolidated net assets were £352.7m (2021: net assets £296.5m).

The movement is predominantly driven by the gain on the sale of businesses offset by the goodwill impairment recognised during the year, and the increase in the net pension asset referred to above.

Parent company balance sheet

The company's market capitalisation was significantly less than the net assets of the parent company at 31 December 2022 and the Directors gave consideration as to why this might be the case and whether assets on the parent company balance sheet may be impaired. The factors considered included: the differing basis of valuations (point in time nature of the market capitalisation and that third parties value the services sector on income statement multiples versus long-term view using a discounted cash flow for the basis of impairment testing under accounting standards), sum-of-the-parts view and the multiples achieved on recent disposals, and that the sector may be trading at or below book value with the market making a general assessment of the sector and all companies within the sector which can ignore the liquidity profile and specific risks of an entity.

Management's estimate of the value in use of the Group used in the testing of goodwill and intangibles for impairment at 31 December 2022 gave a value for the Group that exceeded the market capitalisation at that date, and supported the parent company net assets. An impairment test was performed at 31 December 2022 in respect of the parent company's investments in subsidiaries and amounts owed by subsidiary undertakings. A £7.0m impairment was identified in respect of the parent company's investments in subsidiaries, and an impairment of £30.1m was recognised in respect of amounts owed by subsidiaries.

Creating a compelling people experience

While 2022 presented many challenges for so many businesses and their people, including a cost-of-living crisis and a very tight labour market, we remained focused at Capita on delivering an increasingly positive and consistent employee experience, which delivered improved engagement metrics.

Workforce

50,000

people employed in 11 different countries

In 2022, despite all the challenges, our focus remained on making Capita a place that people want to join and where they want to stay – a workplace that delivers on our four employee value proposition (EVP) themes: be yourself; make an impact; expand your horizons; and shape our future. We were, therefore, particularly pleased to see improvements in our employee net promoter score (eNPS), our engagement index, and our wellbeing and inclusion indices. While we know we are still on a journey to create a compelling and fully consistent experience for every employee globally, we believe we are making significant progress towards this goal.

2022 saw the promotion of a new Chief People Officer, Scott Hill, demonstrating the success of our continuing focus on internal mobility and succession planning. We also increased the remit of our People function, moving both the internal and external communications and responsible business specialisms into the function.

Our commitment to consistency in 2022 underpinned many of our headline activities, including the launch of our career path framework, our focus on equitable opportunities through diversity and inclusion, the expansion of our central employee relations hub and the significant increase in the use of digital training modules. We also continued our support of flexible, hybrid or remote working wherever possible, and saw an extremely positive response from employees.

However, we must acknowledge that, like many of our peers, attrition and attraction remains a key challenge, as does the macroeconomic climate and the subsequent impact on our employees – particularly those who are lowest paid. We are continuing to work to support our people however we can, including through our commitment to the real living wage, and via ongoing financial wellbeing support across the business.

We expect attrition to remain a key focus area throughout 2023, and we will continue to adapt and evolve our practices as required to ensure we continue to meet the needs of our clients and other stakeholders.

While we know we are still on a journey to create a compelling and fully consistent experience for every employee globally, we believe we are making significant progress

Building an engaged workforce

In order to live our purpose and delight our customers, we know that we need a highly engaged workforce. Therefore in 2022 we introduced a pulse survey, on top of our annual employee survey, to better understand how our employees are feeling, and ensure we are listening to, and acting on their feedback. We were pleased to see that in our annual people survey, completed in October by more than 30,000 employees globally, 82% of respondents said their manager had both shared and acted on survey results. We will work to continue increasing this score in 2023.

In overall engagement, we saw positive movement in 2022: our eNPS increased by 15 points, while our employee engagement index increased by 9%.

In addition, 2022 was the fourth year in which employees were able to rate their line manager's performance against our managers' commitments. These commitments set out the additional behaviours we expect from all our leaders and managers and affirm our commitment to be a values-driven organisation. For the past year, across all 10 commitments, more than 92% of respondents agreed that their manager demonstrated our values and behaviours. The feedback is fed into annual development discussions and can inform managers' objectives.

Our commitment to flexible, remote working

In a market where many companies are now expecting all employees to return to the office post-Covid, we took a clear stance at Capita to offer flexible and remote work wherever client and business needs allow as part of a virtual-first working approach.

We believe offering this flexibility will help us attract and retain high-quality and increasingly diverse talent. For the first time, we asked about working arrangements in our annual people survey, and the data showed us that those who work in a hybrid model, or from home, are on average 11% more engaged than those who work solely from an office or the field. 85% of these individuals also say it is a key motivator for them to remain working at Capita.

However, we do acknowledge that fully remote working does not suit everyone, and we encourage colleagues to book a desk in a local office when needed, or to get together for team events. We will continue to evaluate the impact of this approach in 2023.

Investment in apprenticeships at all levels continued to grow and is providing ongoing opportunities to build the skills required for our future business success and for serving our clients successfully in support of growth

Performance and development

During 2022, our focus was on the development of our career path framework (CPF). This is a Capita-wide tool designed to enable our colleagues to plan and develop their career. It provides a map of the whole organisation enabling colleagues to view the role they are in, behavioural, leadership and technical competencies for each job across the organisation and identify what they need to do to progress and move to another role in the organisation. This framework forms the foundation of many of our development and people processes.

Aligned to our CPF, we provide a global academy approach to learning that gives individuals access to self-directed development that enables growth in them and for the business.

Capita Academy

For the Academy, 2022 was a year of engaging with colleagues and highlighting our resources across Capita. We continued to build a solid resource bank within the Academy through the introduction of the Capita e-library, which provides colleagues with a suite of accessible learning to support their ongoing development. We introduced a self-assessment tool 'My Compass' for colleagues to assess their current knowledge and skills level against their aspirational level with suggested learning to support in-role development. Our focus continued to be on management development through our newly launched managers passport programme and on growth through our Sales Academy.

We continued to see positive levels of engagement with our learning resources over the past year, eg:

c.569,000

digital learning modules completed – an increase of more than 492,000 on 2021

c.356,000

mandatory training modules completed

c.10,360

managers passport digital modules completed – an increase of more than 3,060 on 2021

606

colleagues attended live development workshops delivered by the Capita Academy

c.44,000

of applicable colleagues completed our newly introduced Code of Conduct training (since its launch in April 2022)

c.45,500

resources have been accessed as part of Capita's e-library, including e-books, audio learning and virtual classrooms

We continued to support wellbeing initiatives offering a suite of digital modules, which in addition to specialist speakers, provided practical tools and techniques for personal wellbeing. We amended and enhanced the communication on our Speak up whistleblower policy, providing colleagues with a safe and secure mechanism to report anonymously any activity that does not meet the values that we strive to achieve at Capita every day. We also introduced our Code of Conduct digital learning, which has been completed by 97% of applicable employees.

In 2022, our global learning teams collaborated to remove duplication and continuously improve our learning offering. This has been recognised in Capita India where our Learning & Development team won two awards, the L&D Excellence Award & The Innovation in Learning Award at Future of L&D Summit and Awards 2022.

Looking forward, we will continue to focus on simplification, organising our resources and providing easy access for all colleagues so they can self-serve and self-develop. We will continue to build our learning suite and provide clear alignment to our career pathway framework, supporting attraction, diversity and inclusion, competency development, and retention of our talent globally.

Professional development

We offer 64 different professional development programmes across England funded by our apprenticeship levy. We have more than 600 learners on the apprenticeship programmes and 186 learners who successfully completed their professional development programme this year. At the same time, the development of our managers remains a significant priority, and last year we aligned our Accelerate, Advance and Ascent programmes to our managers passport to upskill our line managers. We currently have 173 managers on one of these development pathways.

Investment in apprenticeships at all levels continued, and is providing ongoing opportunities to build the skills required for our future business success and for serving our clients successfully in support of growth. As an extension of our apprenticeship offering and in alignment with our social value and responsible business activity, we pledged to gift more than £1.4m in 2022–23 to help charities and SMEs invest in skills development.

Supporting future leaders

In 2022, we enhanced our approach to internal mobility through succession and progression. Succession planning is an integral process helping us to identify potential in individuals and develop future talent to support organisational effectiveness and success. We conducted a comprehensive succession process for our Executive Committee and top 100 leadership roles, challenging ourselves on the diversity and inclusion of our talent pipelines. 42% of this population who were identified as high potential and suitable for succession are female.

To improve diversity at senior levels, we also continue to support high-potential women and individuals from underrepresented groups through cross-company mentoring opportunities. In 2022, 80 colleagues were enrolled in these programmes. We are delighted to win the Moving Ahead Mentor of the year for 2022 and Moving Ahead Most Dedicated Programme Partner of the year awards.

Talent acquisition and turnover

Despite an extremely tight global talent market, Capita continued in 2022 to attract large volumes of applicants, with more than 27,000 new starters in the year. International headcount also increased, notably in South Africa where it grew by 139% to more than 4,900.

Given the challenging external economic backdrop, our focus in 2022 was on employee retention initiatives, ensuring the best talent was nurtured and developed. Our strengthened 'Capita first' policy saw more than 3,200 roles filled internally, 11% of total recruitment. Voluntary turnover remained high and continues to be a challenge due to external market conditions. In 2023 we will continue to build on our internal mobility strategy, and focus on retention activities.

Over the course of 2022 the resourcing function implemented a new target operating model and held a series of levelling-up roadshows to embed our candidate-focused approach. We also continued to work on the refresh of our employer brand, developing new campaign material and capitalising on our EVP to attract and retain talent.

HR operations

In 2022, we continued to focus on simplifying and centralising key human resource functions, delivered through improved technology and processes. To do this we launched a dedicated onboarding team to deliver excellence in our new joiner experience; evolved our reward hub to improve consistency in the application of global compensation and benefits; and introduced a global mobility team to support complex international movement when required. We also centralised the majority of our employee relations activity, delivering improved efficiency, consistency and reporting which will allow us to be more proactive in employee relations management going forward.

Our People Hub, which provides direct support to all employees, continued to deliver excellent results, with 99% of calls being answered within 10 seconds. Our internal chatbot, Herbot, can now manage high volume multi-functional transactional queries from employees, on demand and across time zones. Across our People Hub channels, we successfully managed more than 500,000 enquiries, incidents, and data transactions throughout the year. As a reflection of our progress, we were awarded best Shared Services Team of the year 2022 by UBS forum.

Reward

Our fair pay agenda continues to underpin all our remuneration decisions. That means ensuring that we are recognising the contributions of all our colleagues, junior and senior, supporting and paying all colleagues fairly for the work they do. You can read more in our annual fair pay report, published alongside our Annual Report. We also published our UK pay gap figures and a narrative explaining them. We continued to support our lowest paid employees by being a real living wage employer.

Responsible business at a glance

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.

Our people – see pages 33 to 36 for more information. Also read our fair pay report and UK pay gap reporting online.

We want to make Capita a place that people want to join and where they want to stay – a workplace that delivers on our four employee value proposition themes: be yourself; make an impact; expand your horizons; and shape our future. We launched our inaugural Capita employee leadership council in 2022 with 11 colleagues from across the Group. We recognise the contributions of all colleagues, junior and senior, supporting and paying them fairly for the work they do. We are a real living wage employer.

Key metrics	2022	2021
eNPS (points)	**-9**	-24
Voluntary turnover (%)	**30**	30
Employee engagement index (%)	**65**	56
People survey response rate (%)	**72**	68

Our customers and clients – see pages 44 and 47 for more information. Also read our supplier charter and human rights policy online.

Our reputation depends on delighting our customers and clients. We are committed to working with our supply-base to ensure that together we can achieve wider social, economic and environmental benefits.

Key metrics	2022	2021
cNPS (points)	**+35**	+29
Supplier payment within 60 days (%)	**99**	98

The environment – see pages 42 to 44 and the TCFD section for more information. Also read our achieving net zero report online.

Our three-phased approach aims to reach operational net zero by 2025; operational and business travel net zero by 2030; and full net zero by 2035.

Key metrics	2022	2021
Reduction in carbon footprint (gross tonnes)	**4.6m**	11.6m

Our investors – see page 48 for more information

Input and feedback from our investors forms an important element of our decision making.

Key metrics	2022	2021
TSR (%)	**(33.5)**	(6.9)
Share price movement (pence)	**(12.2)**	(2.7)

Creating *better* for all our stakeholders

The commitment to being a purpose-led, values-driven and responsible organisation is now part of Capita's DNA.

The commitment to being a purpose-led, values-driven and responsible organisation is now part of Capita's DNA. This means a constant, Group-wide focus on how we can deliver better for all our stakeholders – employees, shareholders, clients, end-users and communities.

In 2022, we further demonstrated this commitment through the creation of a new ESG (environmental, social and governance) Committee of the Board, focusing on responsible business issues, and providing additional strategic oversight, accountability and guidance.

Our responsible business strategy, which was originally developed in 2019, has ensured that we remained 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.

In 2022, our activities focused significantly on: building a more inclusive organisation and supporting our colleagues' wellbeing; tackling economic inequality and increasing digital inclusion; reducing our environmental impact and operating responsibly. Among the significant range of activities delivered, we are most proud of our continuing commitment to be a real living wage accredited employer in the UK, our science-based climate targets (we intend to be net zero by 2035), the significant progress towards our diversity goals, the launch of our Capita Leadership Council, our continued commitment to having an employee director on the Board, and our socially responsible resourcing programmes, including one that provides paid internships to ex-offenders.

However, we also now need to respond to a rapidly changing external environment that includes an increasing understanding of the impact of climate change, a difficult economic situation and a cost-of-living crisis for our employees.

We are, therefore, in the process of refreshing our responsible business strategy to ensure it focuses on the areas of greatest concern and effect.

We will publish our updated strategy and responsible business report later in 2023 (www.capita.com/responsible-business). We know that to 'create better' we must constantly adapt, evolve and respond, and, through our current and future activities, we are committed to this ongoing challenge.

We are addressing the global challenges of importance to our business and society.

	People	Community	Planet	Operating responsibly
Delivering our strategy themes	Building a more inclusive organisation	Driving greater social mobility Enabling better digital access	Reducing our environmental impact	Operating responsibly for our stakeholders
Goals	• Ensuring our workforce reflects the diversity of the communities we serve and is inclusive	• Empowering 100,000 young people in the communities we serve to progress into the world of work by the end of 2023 • Equipping 10,000 people in our communities with the digital skills required for today's world by the end of 2023	• Seeking to reduce our carbon footprint and supporting our clients to do the same	• Seeking to integrate environmental, social, ethical and governance considerations across our business operations
Areas of focus	• Prioritising our colleagues' wellbeing • Engaging with our colleagues • Reimagining our workplaces • Building an inclusive organisation	• Tackling youth unemployment • Promoting digital skills for all	• Tackling environmental challenges with clients • Improving our environmental performance • Adapting to climate change	• Client relations • Supplier engagement • Ethical business
Supporting the UNSDGs				

Addressing our global challenges

People

Building a more inclusive organisation

At Capita, we are committed to creating an environment where diversity is valued, respected and included in everything we do, and where we benefit from all colleagues sharing their different perspectives and bringing their whole selves to work. In this way, each person can do their part to create better outcomes. We are committed to this goal not just because it helps us deliver better for our clients and end-users, but because we believe it's the right thing to do.

During 2022, we continued to build on our previous work to create a more inclusive workplace for all our people. This included:

- Growing and supporting our eight global employee network groups. We currently have more than 15,000 network members.
- Continuing in our commitment to be a real living wage employer in the UK.
- Expanding the use of personal pronouns on Workday, Outlook and Teams to ensure our colleagues are represented and supported in the way they wish to be recognised.
- Launching a new 'life leave' policy, to support employees with paid time off for fertility treatment, early pregnancy loss and more.
- Running an ongoing lunch and learn series to build awareness and understanding of our similarities and differences. In 2022 this included topics such as: menopause; faith and wellbeing; debunking the myths behind ADHD; baby loss awareness; and more.
- This was in addition to our ongoing celebration of awareness events, including (but not limited to) Pride, International Women's Day, International Men's Day, Racial Equality Week, Black History Month, Mental Health Awareness week, and International Day of People with Disabilities.
- Celebrating our Black colleagues with our second annual Black Employees Awards, held during Black History Month.
- Continuing to review employee survey results by protected characteristic and working with each of our employee network groups on results relevant to their area of focus.
- Developing a number of programmes to support the career progression of underrepresented groups.
- Our RISE (reduce inequality strive for equality) and RISE for Women programmes are specifically designed for Black, Asian & minority ethnic and female colleagues to help start them on a transformational journey that will give them the practical mechanisms to drive their careers forward.

We were extremely pleased that two Capita leaders – Kathy Quashie, Chief Growth Officer and Eileen Lewis, Social Responsible Resourcing Lead – were named in the global 2022 Empower Ethnic Minority Role Model Lists.

We were highly commended by the Employers Network for Equality & Inclusion for our approach to intersectionality, and recognised as a 'Leading Light' by the UK Social Mobility awards.

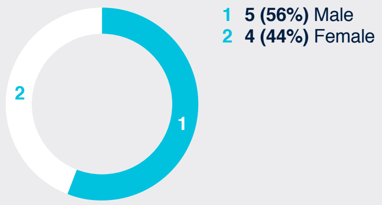
We also secured a place in the 100 Best Companies for Women in India, as well as being one of the 2022 Exemplars in Most Inclusive Companies Index in India, which is testimony to our diversity and inclusion commitments and practices.

In 2022 we continued with our three diversity focus areas: women in senior leadership; ethnic diversity in middle and senior leadership; and supporting colleagues with a disability. We are pleased to say that:

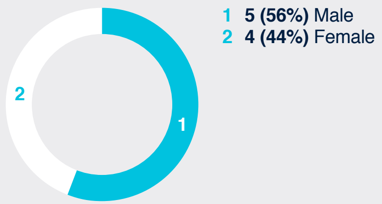
- We exceeded our 2022 targets for women in senior roles. Our workforce is 51% female, and in our senior leadership roles 42% are female. In addition, both our Board and Executive Committee are 44% female.

We secured a place in the 100 Best Companies for Women in India, as well as being one of the 2022 Exemplars in Most Inclusive Companies Index in India

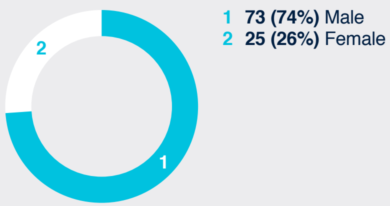
Board



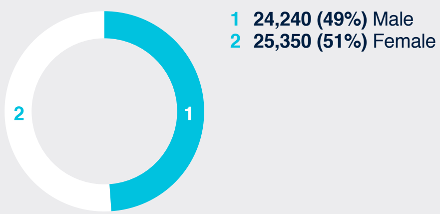
Executive Committee



Senior management*



All employees



* Senior management includes directors of subsidiary legal entities as per requirements of the Companies Act section 414C(8)(c)(ii) and 414C(10)(b).

- We exceeded our 2022 targets for ethnic diversity in leadership roles. Our workforce is 21% ethnically diverse, including 7% Black, and our senior leaders are now 14% ethnically diverse (in the UK) and 3% Black. In 2023 we will be working on targets for additional geographies. In addition, both our Board and Executive Committee are each 22% ethnically diverse.
- In 2022 we were recognised as Disability Confident Employer (level 2) status across the Group and we are working to achieve level 3 status in 2023. We are particularly proud of the work we did with the Capita ability network to support our colleagues with a disability, such as the launch of our adjustments passport to ensure that reasonable adjustments follow our employees throughout their career in Capita. We also increased our disability declaration level by 8%.

We will continue to build on these figures in 2023, while also introducing an additional focus on how we measure and track social mobility within the organisation.

Supporting our colleagues' wellbeing

Focusing on the wellbeing, safety and health of all Capita employees continues to be a top priority. In 2022, we particularly focused on mental health and financial wellbeing, as the cost-of-living crisis intensified.

We are not afraid to tackle difficult subjects and also launched suicide awareness initiatives and new guidance relating to domestic abuse. We also launched our Group menopause procedure, supported with our first ever virtual Menopause Café.

Through the advancement of our wellbeing, safety, and health focus, our colleagues reported improved feelings of health and wellbeing, with a Wellbeing Index rating of 71% in our annual people survey (up 4% from 2021).

We introduced new mandatory safeguarding training with 98% completion for level 1 and 99% for level 2, which exceeds our internal compliance targets of 95%.

We also enhanced and expanded our SafetyNet initiative, which provides guidance and support to human resources representatives and business managers dealing with employees with complex issues related to wellbeing, safeguarding or vulnerability. As a multidisciplinary group, SafetyNet provides an independent view and advice, recommends additional interventions, and supports managers and colleagues through extremely difficult situations. In 2022, SafetyNet has supported 219 colleagues since it started in 2021.

We also completed the transition to our new provider, Health Partners, and launched a series of proactive occupational health interventions in the UK, building on the activities already in place in some of our international locations.

Reimagining our workplaces

We continued to transform and simplify our property footprint with further consolidation during 2022 with 19 locations closed globally.

We continue to look to invest, as we create more flexible and better equipped space, providing our colleagues with improved technology to complement our ways of working. This allows us to come together, both face-to-face and virtually, to collaborate and to meet with clients and stakeholders.

We also internally recycle as much quality furniture and equipment as possible from the sites we closed, with 36 locations benefiting from more than 5,200 items. As part of our responsible business commitment, we also donated more than 2,300 items of furniture to 12 schools, three NHS Trusts and six charities.

Community

Tackling economic inequalities

Helping to support and grow strong communities in the current economic climate is a key priority for Capita, and, we believe, an obligation for all businesses globally. We are therefore proud that we not only renewed our commitment to be a real living wage employer in 2023, but we also joined Business in the Community's cross-industry cost of living taskforce, which launched in December 2022. Capita was one of the first organisations to sign up to the UK Government's Kickstart Scheme. From the start of 2021 to end of 2022, we offered 59 Kickstart placements, with the majority being delivered virtually. 95% of our Kickstarters successfully completed the programme with 53% securing roles in Capita afterwards. 17% gained roles externally and 8% returned to full time education. Of the 53% that were retained after the programme, 90% remain within Capita.

In 2022 we pledged to gift more than £1.4m of our apprenticeship levy to support charities and SMEs to invest in skills development. We continued to support our employees to fundraise more than £60,000 and were pleased to donate more than £16,000 in matched charity funding. We also raised more than £180,000 through payroll giving.

At the start of the Ukraine war, our colleagues in Krakow collected clothes, food and money to support the refugees and some of our colleagues hosted refugee families. We have since raised further resources and bought a generator to provide power to a water plant which pumps to local hospitals in Ukraine.

All our employees globally are granted one day per year for volunteering activities, more than 7,800 hours of volunteering were requested in 2022.

We also continued our sponsorship of the UK Social Mobility Awards and were delighted to be awarded a 'Leading Light' award.

We were also particularly pleased to see the progress of our Compass programme, delivered in partnership with Project Remake, supporting ex-offenders into meaningful work. You can watch interviews with some of our Compass interns at www.capita.com/our-thinking/creating-better-outcomes-internships-prison-leavers. We hope to grow this programme further in 2023.

Digital inclusion

In 2022, Capita invested in WithYouWithMe, a workforce technology platform that finds employment for military veterans and other overlooked groups through delivering innovative aptitude testing and digital skills training. With them, we launched '15,000 Futures', an initiative to support former members of the UK armed forces and their partners to find employment in the technology and digital sectors after leaving the military, encouraging organisations to fill 5% of available digital roles with reskilled veterans.

We also continued to work with Good Things Foundation, the digital inclusion charity, to inspire senior leaders in England to set ambitious strategies to tackle digital inequality. The aim of this work is to ensure people from all backgrounds, including the disadvantaged, have access to devices and the skills necessary to use them. Our partnership engaged several combined authorities in England to help them develop their approaches to digital inclusion and led to the creation of a roadmap providing practical ideas for digital inclusion strategies aimed at tackling digital inequality.

Capita colleagues also volunteered their time during the year to take part in Business in the Community's ClickSilver Connections scheme, providing mentors to help older and vulnerable people to connect with friends and family, source essential items, find information and gain digital confidence.

Helping to support and grow strong communities in the current economic climate is a key priority for Capita; and, we believe, an obligation for all businesses globally

Community investment

c.£1m

(2021: c.£0.9m)

Planet

Fighting climate change

The Science Based Target initiative (SBTi) has verified Capita's 2035 net zero science-based target as follows:

Near-term targets
Capita has committed to reduce absolute Scope 1 and 2 greenhouse gases (GHG) emissions and absolute Scope 3 GHG emissions covering business travel by 46% by 2030 from a 2019 base year. Capita has also committed to 50% of its suppliers by spend – covering purchased goods & services and capital goods – having science-based targets by 2025.

Long-term targets
Capita has committed to reducing absolute Scope 1 and 2 GHG emissions, and absolute Scope 3 GHG emissions (covering purchased goods & services, capital goods, business-travel and employee commuting) by 90% by 2035 from a 2019 base year.

We set out our ambitious and far-reaching roadmap to take us to net zero in 2021. We are committed to these challenging targets at every level of our organisation, setting decarbonisation as our overarching objective. Our goal is for all residual emissions to be neutralised in line with SBTi criteria to reach net zero emissions.

Our three-phased approach aims to reach operational net zero by 2025; operational and business travel net zero by 2030; and full net zero by 2035.

In 2022, as part of our business planning process, each division and function submitted its own net zero targets for 2023 and issued plans to achieve longer-term net zero milestones. Successful submission of these plans and reduction targets, together with demonstrable reduction in carbon emissions, forms part of 2022 management bonus plan criteria. 2023 incentives will focus on achievement of target, and reporting of performance against target will form part of the company-wide management reporting cycle.

Following our commitment to be net zero by 2035, the challenges we believe will be most difficult to address are: the decarbonisation of our heating systems; and collecting, monitoring and managing the reduction of emissions from more than 19,000 suppliers.

Driving down GHG emissions
Following the onset of the Covid pandemic, we significantly reduced business travel. While there was an increase over lockdown levels, travel bounceback in 2022 has been mitigated by our virtual first meeting strategy and remains less than 25% of pre-pandemic levels. Our electricity emissions also reduced, through efficiency, sourcing more renewable power and reducing the property portfolio.

We have already achieved our 2025 and 2030 near-term science-based targets apart from those relating to Scope 1 which we expect to achieve by 2024.

Work to improve the accuracy of our monitoring of Scope 3 emissions will accelerate in 2023. Across the Group we will develop our low carbon transition plan to ensure transparency to stakeholders across all areas of our carbon reduction planning, responding to climate-related risks and opportunities, and our contribution to economy wide transition.

With more than 50,000 colleagues across the globe, we are all too aware of our own internal responsibilities. We therefore launched a new environmental standard, setting out Capita's environmental commitments and responsibilities and incorporating an environmental training module for all employees to support the environmental standard and net zero commitment.

In 2022 we published our third disclosure statement against the recommendations of the Financial Stability Board's Task Force on Climate-related Financial Disclosure (TCFD), see page 49.

We are working to reach operational net zero by 2025; operational and business travel net zero by 2030; and full net zero by 2035, including our supply chain

Milestone 1: Operational net zero	**Milestone 2: Operational + travel net zero**	**Milestone 3: Full net zero**
2025 Operational (Scope 1 & 2)	**2030** Operational (Scope 1 & 2) + business travel emissions	**2035** Operational (Scope 1 & 2) + business travel + supply chain emissions

Methodology

We measure our environmental performance by reporting our global carbon footprint annually in terms of tonnes CO_2 equivalent (tCO_2e), an absolute measure, and tonnes CO_2 equivalent per £1m revenue and per person (intensity measures). The data relates to Capita's owned and leased facilities and business travel under its operational control across all geographies. We report separately on our direct emissions from Capita-controlled and owned sources (Scope 1), indirect emissions from consumption of electricity, heat or steam (Scope 2), and emissions from third parties (Scope 3). This ensures our compliance with Part 7 of The Companies Act 2006 (Strategic Report and Director's Report) Regulations 2013 which requires certain disclosures in respect of GHG emissions (the Strategic Report GHG Emission disclosures). We engaged an external agency, Corporate Citizenship, to provide independent limited assurance over the selected GHG emissions data (highlighted in the table opposite with an *) using the assurance standards ISAE 3000 and 3410. Corporate Citizenship has issued an unqualified opinion over the selected data; its full assurance statement is available at www.capita.com/responsible-business/resources-and-reports.

Our disclosures cover sources of our GHG emissions from our operations in the UK, Ireland, Central Europe (Poland, Germany, Switzerland and Bulgaria), India and South Africa. Capita converts the consumption data into a carbon footprint with consideration for the World Business Council for Sustainable Development and World Resources Institute's Greenhouse Gas Protocol, together with the latest emissions factors from the UK Department for Environment, Food and Rural Affairs, Association of Issuing Bodies and International Energy Agency.

Annual GHG emissions

	2022	2021	2020
Scope 1 (tCO_2e)	**12,049***	15,021*	18,980*
Scope 2 (tCO_2e) (location-based)	**21,137***	24,088*	28,359*
Scope 2 (tCO_2e) (market-based)	**4,083***	10,328*	23,526*
Scope 3 (tCO_2e) (business travel and waste)	**6,101***	4,500*	7,881*
Total gross tonnes of CO_2e (location-based)	**39,287**	43,609	55,219
Total gross tonnes of CO_2e (market-based)	**22,233**	29,848	50,386
Total gross tonnes of CO_2e/£1m revenue (location-based)	**13.03**	**13.70**	**16.60**
Total gross tonnes of CO_2e/headcount (location-based)	**0.79**	**0.73**	**0.85**

Table of progress against targets

Progress against SBTi verified short-term targets	**2022 actual**	2022 target	2030 target
Scope 1 (tCO_2e)	**12,049**	**14,506**	10,201
Scope 2 (tCO_2e) (market-based)	**4,083**	**24,167**	14,876
Scope 3 (business travel and waste)	**6,101**	**26,869**	16,540
Progress against SBTi verified short-term engagement target	**2022 actual**	2022 target	2025 target
Scope 3 supply chain spend covered by science-based targets %	**50%**	32%	50%
Other metrics	**2022**	2021	2020
100% renewable power progress (as % of total power)	**85%**	80%	68%
Transition from internal combustion to low emission vehicles:			
Diesel	**47%**	62%	77%
Hybrid electric	**48%**	32%	19%
Pure electric	**4%**	5%	4%
Average CO_2e	**96g/km**	96g/km	98g/km%
Fleet vehicle energy source			

Notes:
Total gross tonnes of CO_2e/£1m revenue (location-based) in 2022, 2021 and 2020 has been calculated using statutory revenue.
Scope 1: Emissions from Capita sources that are controlled by us, including the combustion of fuel, company-owned vehicles and the operation of our facilities.
Scope 2: Emissions from the consumption of purchased electricity, heat or steam.
Scope 3: Emissions from non-owned sources related to Capita's activities, including business travel and waste.

Operating responsibly

Operating responsibly means ensuring we keep our purpose – to create better outcomes for all stakeholders – at the core of everything we do. In 2022, we maintained our focus by: continuing to support clients and communities in recovery from the Covid pandemic; engaging and working closely with our suppliers; understanding our colleagues needs; and dealing with wider societal challenges, such as the cost-of-living crisis.

Client relations

We actively seek the views of our clients through an annual customer net promoter score (cNPS) survey. In the survey we ask for feedback on our current performance and advice on areas that they would like us to focus on in future. We feed this information back to our teams who then take the time to understand any root causes of issues raised and set actions which are monitored via our customer relationship management platform, Salesforce.

In 2022, we received feedback from 585 individuals across 392 clients. This enabled us to achieve a 49% response rate and the results give Capita a cNPS score of +35 for 2022 which is an increase of +6 on 2021.

Our two core divisions (Public Service and Experience) received feedback from 403 individuals across 250 clients providing a 52% response rate. The results give the two core divisions a combined cNPS score of +24, an increase of +8 on 2021.

Supplier engagement

Around 92% of our total supply chain are small and medium-sized enterprises (SMEs), including sole traders and micro-businesses. We continued to recognise the effect that the current economic situation is having on many of these suppliers, with varying demand for products and services often severely affecting their cash flow. Consequently, we strive as a business to prioritise and ensure payment to terms with our vendors at all times where possible.

We spent more than £1.98bn in 2022 with more than 19,000 direct suppliers in 69 countries. We value the business relationships we have with our suppliers and seek to build lasting relationships, treating our suppliers and partners fairly and paying promptly. We want to work with suppliers who share our values and support us in delivering our purpose.

Our aim is to encourage and work with suppliers in order to achieve the highest standards within our supply chain. We are committed to working with our supply base to ensure that together we can achieve wider social, economic and environmental benefits.

Our supplier charter, which is available on our website, remains at the core of strengthening our commitments to support more SMEs, increasing the diversity of our supply chain, promoting supply chain resilience and encouraging ambitious carbon reduction targets. All new and renewing suppliers are expected to comply with this charter.

Business aligned objectives are in place for 2023 which are fully supported by the Board, in order for us to progress to meet our net zero goals for Scope 3 emissions. Our 2025 goals are that 55% of our suppliers by spend will have committed to having science-based targets (SBTs) in place and, by 2030, 85% of our suppliers by spend will have committed to having SBTs in place.

As signatories to the Prompt Payment Code, we report our payment practices and performance to the UK Government every six months; 99% of our suppliers were paid within 60 days.

cNPS score for 2022

+35

Spend with direct suppliers in 2022

£1.98bn

in

69

countries

Valuing the employee voice

As a people-centric business, we believe listening to, and involving, our colleagues in the highest levels of our strategic decision making is critical to our success. Our first two employee non-executive directors completed their terms in the summer of 2022, and we recruited a new employee director, Janine Goodchild, who joined the Board on 1 July 2022. We are proud of the exceptional contribution and fresh perspective that our employee directors make to Board-level governance in the organisation, and we would encourage other organisations to consider doing the same.

Building on this employee-oriented success, we launched our inaugural Capita Employee Leadership Council in 2022. The council comprises 11 individuals, drawn from different parts of Capita, who were identified as potential future leaders within the organisation. The council acts as an advisory group, representing the perspective of employees directly to the Executive Committee, the business' senior leadership team. It has also contributed to strategic projects.

Each council member's tenure is two years, during which they will benefit from learning and development opportunities designed to enhance their leadership skills. This will occur through projects the council is asked to deliver and a rotating programme of mentorships which will be provided by members of the executive, including our CEO, Jon Lewis.

Targeting bribery and corruption

We do not tolerate bribery or corruption in any form. Our anti-bribery and corruption policy applies to all Capita businesses, employees and suppliers. The Risk & Compliance team monitors compliance, with a view to ensuring all parts of the business are aware of their responsibilities in terms of charitable donations, sponsorships, facilitation payments, gifts and hospitality. All employees must complete financial crime training annually.

Upholding human rights

We are committed to playing our role in global society by ensuring that through our management and operations we have the systems, policies and processes in place to identify any potential instances of exploitation and, if found, eradicate modern slavery in all its forms from our business and supply chain.

Our updated human rights policy details our commitments to upholding the principles of human rights, as set out in the UN Declaration of Human Rights and the International Labour Organization core labour principles. We comply with all relevant legislation, including the UK Modern Slavery Act and our compliance statement can be found on our website. We outline expectations and compliance to the standards we set out for suppliers, working with them to ensure they operate in accordance with this policy, and upholding the principles of human rights in their operations and supply chains. We are taking appropriate steps to ensure that everyone who works for Capita benefits from a working environment in which their fundamental human rights are respected

Members of our tech solution delivery team competed in a charity plane pull to raise funds for Action for Children

and anyone that we do business with also upholds these principles. If any client, employee, supplier or other stakeholder becomes aware of any potential breach of human rights (or any other ethical concern) they may report this confidentially to our Speak Up hotline. This hotline is externally managed for independence and confidentiality.

Protecting privacy

Our clients and our colleagues expect us to keep their data safe and secure, and to respect their privacy. We take this responsibility very seriously, with a view to ensuring we only process personal data in line with all applicable laws, including how we collect, store, use, retain, transfer and delete personal data.

Our privacy policy details how we expect everyone to take responsibility for privacy, including the protection of data, applying our privacy standards, procedures and guidance in their areas of the business. These requirements include maintaining information asset registers, following a comprehensive incident management process, completing privacy by design and default, and data protection impact assessments. We continue to raise awareness of the importance of privacy through our mandatory training and ongoing communication programmes.

Non-financial information statement

This section of the report constitutes Capita's non-financial information statement, produced to comply with sections 414CA and 414CB of the Companies Act 2006. The table below, and information it refers to, is intended to help stakeholders understand our position on key non-financial matters. This builds on reporting that we do under the following frameworks: CDP, Dow Jones Sustainability Index and the EcoVadis Assessment.

Reporting requirement	Policies and standards which govern our approach	Where is this referenced in this report?
Environmental matters	• Health, safety and environmental policy (E) • Environmental standard (I)	• Responsible business: fighting climate change pages 42 and 43
Employees	• Code of conduct (E) • Health, safety and environmental policy (E) • Diversity and inclusion policy (E) • Wellbeing policy (E) • Employee handbook (I)	• Our people section pages 33 to 36 • Responsible business: building an inclusive workplace pages 39 and 40 • Responsible business: diversity data page 40
Human rights	• Human rights policy (E) • Supplier charter (E) • Modern slavery statement (E) • Information and cyber security policy (E) • Privacy policy (E) • Employment screening policy (I) • Procurement policy (E) • Speak Up policy (E) • Safeguarding policy (E)	• Responsible business: operating responsibly – supplier engagement page 44 • Responsible business: community – tackling economic inequalities page 41 • Responsible business: operating responsibly – upholding human rights page 45 and 46
Social matters	• Community and charity policy (E) • Community and charity standard (I) • Volunteering FAQ (I) • Matched funding FAQ (I) • Fundraising FAQ (I)	• Responsible business: digital inclusion page 41 • Responsible business: community – tackling economic inequalities page 41
Anti-corruption and anti-bribery	• Code of Conduct: Anti-bribery and corruption policy (E) • Financial crime policy (E)	• Responsible business: targeting bribery and corruption page 45
Due diligence and outcome	• Risk management framework • Annual internal audit plan • Risk register • Audit and Risk Committee report	• Risk management framework pages 55 and 56 • Audit and Risk Committee report pages 90 to 98
Business model		• Business model pages 6 and
Non-financial KPIs		• Non-financial KPIs page 1 • Responsible business pages 37 to 45

I – Group policies, guidance and standards published internally; E – Group policies, statement and reports published externally.

Engaging with our stakeholders

Section 172 statement
The following disclosures describe how the directors have had regard to the matters set out in section 172(1a) to (f) and forms the directors' statement required under section 414CZA of the Companies Act 2006.

See page 75 for more information.

Our people

Why they are important

They deliver our business strategy; they support the organisation to build a values-based culture; and they deliver our products and services ensuring client satisfaction.

What matters to them

Flexible working; learning and development opportunities leading to career progression; fair pay and benefits as a reward for performance; and two-way communication and feedback.

How we engaged

- People surveys
- Regular all-employee communications
- Employee director on the Capita plc Board
- Employee focus groups and network groups
- Workforce engagement on remuneration
- Leadership Council
- Regular 'breakfast' sessions with the Executive Committee for our colleagues

Topics of engagement

- Creating an inclusive workplace
- Speak Up policy
- Health and wellbeing
- Directors' remuneration
- Acting on survey feedback

Outcomes and actions

The 2022 employee survey showed improvement across all metrics. We are developing and delivering a range of action plans, including ensuring our leaders feel confidence in, and ownership of Capita's strategy, plans and successes, developing inclusive opportunities for internal career mobility.

We developed a global career path framework which defines career levels, career job content, and reward framework and introduced mentoring schemes.

We introduced our first employee leadership council, comprising 11 individuals, drawn from different parts of Capita.

We refreshed our Speak Up policy.

Risks to stakeholder relationship

- Our ability to recruit due to the national and global labour market demand for resources
- Our ability to retain people, impacting our quality of service
- Our ability to evolve our culture and practices in line with our responsible business agenda

Key metrics

Employee NPS, Employee Engagement Index and people survey completion level.

Further details

Our people section on pages 33 to 36. Responsible business section on pages 37 to 45. Directors' remuneration report on pages 99 to 122.

Clients and customers

Why they are important

They are recipients of Capita's services; and Capita's reputation depends on delighting them.

What matters to them

High-quality service delivery; delivery of transformation projects within agreed timeframes; and responsible and sustainable business credentials.

How we engaged

- Client meetings and surveys
- Regular meetings with government stakeholders and annual review with the Cabinet Office
- Creation of Customer Advisory Boards
- Created a senior client partner programme giving an experienced single point of contact for key clients and customers

Topics of engagement

- Current service delivery
- Capita's digital transformation capabilities
- Possible future services
- Co-creation of client value propositions
- Ongoing benefits of hybrid working on client services

Outcomes and actions

Feedback provided to business units to address any issues raised; client value proposition teams supporting divisions with co-creation ideas; direct customer and sector feedback; and senior client partner programme undertaking client-focused growth sprints to build understanding of client issues and ideas to help address them.

Risks to stakeholder relationship

- Loss of business by not providing the services that our clients and customers want
- Damage to reputation by not delivering to the requirements of our clients and customers

Key metrics

Customer NPS; specific feedback on client engagements.

Further details

Chief Executive Officer's review on pages 10 to 15.

Suppliers and partners

Why they are important

They share our values and help us deliver our purpose; maintain high standards in our supply chain; and achieve social, economic and environmental benefits aligned to the Social Value Act.

What matters to them

Payments made within agreed payment terms; clear and fair procurement process; building lasting commercial relationships; and working inclusively with all types of business.

How we engaged

- Supplier meetings throughout source to procure process
- Regular reviews with suppliers
- Supplier questionnaires and risk assessments

Topics of engagement

- Supplier payments
- Sourcing requirements
- Supplier performance
- Responsible Business
- Science based targets (SBTs)
- Supplier Charter

Outcomes and actions

Alignment of payments with agreed terms; supplier feedback on improvements to procurement process; improvement plans and innovation opportunities; and improved adherence to supplier charter, suppliers committing to SBTs.

Risks to stakeholder relationship

- Environmental issues
- Commitment to tackling SBTs
- Supply chain resilience

Key metrics

99% of supplier payments within agreed terms; SME spend allocation; and supplier diversity profile.

Further details

Supplier engagement section on page 44.

Investors

Why they are important

They own the business and provide essential capital; and their input and feedback is considered when making decisions.

What matters to them

Reporting on strategic, operational and ESG factors; financial performance; directors' remuneration, access to the Board and senior management; and regular communication.

How we engaged

- Financial and other reports and trading updates
- Regular investor programme with the Board, including meetings with the Chairman and Remuneration Committee chair and feedback throughout the year
- Discussions around AGM on resolutions and governance topics
- Dedicated investor relations contacts and email inbox
- Regular Board reports from investor relations function and external advisers

Topics of engagement

- Disposal programme
- Medium term targets and outlook
- Social: attrition and engagement
- Balance sheet and liquidity
- Governance: remuneration
- Environmental: net zero target

Outcomes and actions

Frequent market communication; and active engagement with largest shareholders including with the Chairman and Remuneration Committee chair.

Hybrid arrangements for the 2022 annual general meeting to allow shareholders to attend both physically in-person and remotely.

Risks to stakeholder relationship

- Changes to outsourcing market, eg government policy
- Delivery on strategic and financial objectives
- Key aspects of governance. eg remuneration

Key metrics

Revenue; profit; free cash flow; net debt and gearing; valuation; and AGM voting.

Further details

Shareholder engagement section on page 44.

Principal decisions table on page 75.

Society

Why they are important

Capita is a provider of key services to government impacting a large proportion of the population.

What matters to them

Social mobility; youth skills and jobs; digital inclusion; diversity and inclusion; climate change; business ethics; accreditations and benchmarking; and cost of living crisis.

How we engaged

- Membership of non-governmental organisations
- Charitable and community partnerships
- External accreditations and benchmarking
- Working with clients, suppliers and the Cabinet Office

Topics of engagement

- Youth employment
- Promoting digital inclusion
- Workplace inequalities
- Diversity & inclusion
- Climate change

Outcomes and actions

Publication of net zero plan and verification during 2022 of Science Based Targets; continued commitment and accreditation as a real living wage employer; youth and employability programme; Capita's investment in WithYouWithMe, a workplace technology platform that finds employment for military veterans and other overlooked groups through delivering innovative aptitude testing and digital skills training; highly commended by the Employers Network for Equality & Inclusion for our approach to intersectionality; recognised as a 'Leading Light' by the UK Social Mobility awards; and joined the Cost-of-living Taskforce.

Risks to stakeholder relationship

- Lack of understanding of the issues important to them
- Insufficient communication or involvement in shaping and influencing strategies and plans

Key metrics

Net zero by 2035, community investment, workforce diversity and ethnicity data, including pay gaps.

Further details

Responsible business: Planet section on pages 42 to 44.

Greenhouse gas emissions section on pages 79 to 81.

Task Force on Climate-related Financial Disclosures (TCFD)

Governance

Board responsibility for climate-related risks and opportunities:
Capita's Board is responsible for promoting long-term sustainable success, generating value for shareholders and contributing to wider society. This includes its role in ensuring climate-related issues are appropriately considered when setting business strategy, deploying capital, agreeing remuneration metrics, and setting corporate policy.

To achieve these responsibilities, the Board is assisted by three committees:

- The Audit and Risk Committee (ARC) assists in managing risk systems, including managing climate change as a principal risk.
- The Remuneration Committee is responsible for setting policies for executive pay and incentives and approving changes to existing remuneration plans. In 2022, executive remuneration is linked to the achievement of Capita's climate targets during 2022.
- The newly formed ESG Committee has senior level oversight of climate-related issues and is chaired by the Chairman of the Board.

Management's responsibility for climate-related risks and opportunities:
Climate-related responsibilities are assigned to specific management-level positions that coordinate activity across and within each business division.

- Capita's Chief Executive Officer: overall responsibility for climate-related risks & opportunities and for ensuring that climate issues are appropriately considered at Board level.
- Divisional Heads of Responsible Business: deliver on Capita's sustainability initiatives and commitments, including those relating to climate change.
- Divisional Heads of Risk: adapt Group-wide risk policies and identify climate-related risks to align with their business divisions and operating context, which feedback to Group level.
- Group Head of Environment: ownership of the climate change principal risk and managing development of Capita's net zero strategy. Work closely with the Group Risk and Compliance functions, particularly around the climate change principal risk.

Strategy

To identify, assess and manage climate risks and opportunities, Capita conducted an in-depth climate scenario analysis (CSA) in two phases.

Phase 1, a qualitative risks and opportunity assessment, was completed in 2021, while phase 2, the quantification of climate risks, was completed in 2022.

This analytical work has allowed Capita to understand the range of possible impacts arising from different long-term climate change scenarios to inform the overall business strategy, build resilience and mitigate climate risk impacts.

Climate risks and opportunities are assessed across short-term (0–3 years), medium-term (4–9 years), and long-term (10+ years) time horizons to reflect the longer-term impacts from climate change.

Phase 1 (completed in 2021): qualitative risk & opportunity assessment

In 2021, Capita completed the first phase of its climate scenario analysis by qualitatively assessing climate risks and opportunities over forward-looking scenarios.

The qualitative assessment consisted of:

- A gap analysis against TCFD recommendations to identify actions to achieve full disclosure, and a peer review of sector climate-related disclosures.
- Internal stakeholder engagement to examine potential operational impacts from climate change. Teams engaged included: Procurement; Business Growth & Continuity; Risk Management; Responsible Business; and Financial Planning. Each team has identified relevant climate-related risks and opportunities for their function.
- Qualitative assessment of risks and opportunities across relevant geographies, time horizons and climate scenarios based on scores for vulnerability, likelihood and magnitude assessment criteria (results can be found on Capita's website). This enables the prioritisation of climate impacts for further analysis in phase 2.

Capita has used the climate scenarios developed by Network for Greening the Financial System (NGFS). These include three scenario categories: orderly transition (for early ambitious action), disorderly transition (for when action is late and sudden), and hothouse world (for limited action resulting in significant warming).

Phase 2 (completed in 2022): quantitative modelling of five key climate risks

As a result of the qualitative CSA, Capita identified five risks likely to affect its operation in different climate scenarios:

- water stress (physical risk);
- carbon pricing (transition risk);
- supply chain pass-through costs (transition risk);
- energy pricing (transition risk); and
- carbon credit pricing (transition risk).

While Capita's exposure to the risks was modelled on a global level for the transition risks, the water stress risk was modelled at site level.

Physical risks

Exposure modelling

All of Capita's sites were screened for exposure to water stress in the baseline using publicly available projections; 20 highly exposed or strategic sites were taken forward for detailed modelling. The modelling was used to provide an exposure rating for each of Capita's sites. Scenarios used and timelines modelled are outlined in the risk table.

Vulnerability workshop

To understand Capita's vulnerability to water stress, an internal cross-functional workshop was conducted. The discussions and output from this workshop provided an understanding of site operations which was used to provide each site with a vulnerability rating.

Overall risk rating

The exposure and vulnerability risk ratings were multiplied together to understand the overall risk of water stress to each of the modelled sites. Results and mitigation measures are outlined in the risk table.

Transition risks

Exposure modelling

Three transition risks (carbon pricing, supply-chain pass through costs and energy pricing) were modelled, using publicly available projections in a low carbon <2°C scenario. Carbon credit pricing was modelled using a bespoke offset modelling system based on offsetting project type and market fluctuations. All scenarios and timelines are outlined in the risk table.

Carbon pricing, supply chain pass-through costs and energy pricing were all modelling under two internal emissions/energy consumption projections: business as usual (BAU) and net zero.

BAU: assumes that Capita's emissions or energy consumption remains constant from a 2019 baseline.

Net zero: assumes that Capita's emissions and energy consumption decrease in line with the SBTi verified near-term targets and 2035 net zero target.

Vulnerability

To understand Capita's vulnerability to the modelled transitional risks, an internal cross-functional workshop was conducted. The discussions and output from this workshop provided an understanding of Capita's financial planning, strategy and current mitigation measures. The outputs of the workshop and the exposure modelling were assessed to provide an overall potential impact rating for each risk, outlined in the risk table.

Risk table: we modelled five risks in terms of the scenarios and time horizons used, their potential impact and the current/potential mitigation actions.

Risk description	Climate scenario and time horizon	Potential impact	Mitigation actions
Water stress			
Ratio of renewable water supply to water demand. Increased water stress implies higher competition among users and reduced availability of, as well as increased costs of, water.	Scenario: SSP3 RCP8.5 (high carbon) Future time horizon: 2040 (long term) Baseline: 1960-2014	Seven sites in two locations were found to have potential major impact from water stress due to high exposure and vulnerability to water stress-related power issues. The other modelled sites were found to have no potential impact to moderate potential impact. Main impacts identified: • Power outages • Water, sanitation and hygiene facility maintenance • Increased cost and volatility of water supply	• Leasing agreements can provide flexibility and mitigation if water stress is considered • Include water stress risk into longer-term contracts • Integrate water stress risk into site location considerations • Utilise flexible working arrangements, including work from home protocols • Consider potential carbon emissions from mitigation techniques (eg diesel generators)
Carbon pricing			
Costs associated with tax on Capita's Scope 1 and 2 emissions and indirect costs to operations from taxing of emission sources.	Scenario: IEA net zero and NGFS divergent net zero (low carbon <2°C) Time horizon: 2019–2050 (short, medium and long term)	Potential minor impact to Capita from an explicit carbon tax but the implicit cost of carbon could have a greater impact if not considered in financial planning. Main impacts identified: • Increased costs of operations and energy procurement BAU projections show significantly greater impact than from emissions reducing in line with net zero target. Capita's current strategy is showing much greater resilience to risk from carbon pricing due to implemented carbon-reduction strategies and targets compared with the BAU scenario.	• Focus on emissions reductions across all scopes and ensure that the net zero and near-term reduction targets are met • Engage with supply chain • Implement an internal price of carbon • Build costs into financial planning and strategy

Risk description	Climate scenario and time horizon	Potential impact	Mitigation actions
Supply chain pass-through cost			
Costs from direct taxation on suppliers' emissions passed through to Capita and indirect costs from the low carbon transition on Capita's supply chain.	Scenario: IEA net zero and NGFS divergent net zero (low carbon <2°C) Time horizon: 2019–2050 (short, medium and long term)	Potential minor impact on Capita from an explicit carbon tax but the implicit cost of carbon could have a greater impact if not considered in financial planning. Main impacts identified: • Increased pass-through costs from supply chain as carbon intensive parts of the supply chain are impact by increasing carbon prices. BAU projections show significantly greater impact than from emissions reducing in line with net zero target. Capita's current strategy is showing much greater resilience to risk from carbon pricing due to implemented carbon-reduction strategies and targets compared with the BAU scenario.	• Focus on emissions reductions, particularly for Scope 3, and ensure that the net zero and near-term reduction targets are met • Engage with supply chain • Implement an internal price of carbon • Build costs into financial planning and strategy

Risk description	Climate scenario and time horizon	Potential impact	Mitigation actions
Energy pricing			
Projections of costs of different energy sources split by country.	Scenario: Enerbase (high carbon) and Energreen (low carbon <2°C) from Enerdata projection. Time horizon: 2019-2050 (short, medium and long term)	Exposure to high energy pricing is greater in a low-carbon scenario than a high-carbon scenario. Main impacts identified: • Increased energy price volatility • Increased energy costs due to carbon taxation Capita is already closely monitoring energy costs, implementing energy efficiency measures and buying on a contract basis, thereby mitigating against potential price volatility and making strategy more resilient.	• Detailed analysis of energy consumption • On-site renewable production • Focus on energy efficiency and usage reduction • Ensure all programmes are considered in capex planning
Carbon credit pricing			
Cost of purchasing carbon credits to offset Capita's residual emissions in line with our net zero targets.	Scenario: N/A Time horizon: 2019-2050 (short, medium and long term)	Potential moderate impact due to high costs of spot purchases after Capita's net zero target year of 2050. Main impacts identified: • Additional cost of offsetting to reach net zero target Risk could be higher if the net zero target or near-term targets are not met	• Introduce a carbon credit purchase strategy • Integrate carbon credit purchases into longer-term financial planning • Invest early in offsetting projects • Continued focus on emissions reduction

Climate transition plan

Capita is committed to achieving net zero by 2035, with near-term and long-term science-based targets validated by the SBTi. Further details on our targets and climate transition plan can be found on our climate change hub webpage. Key climate initiatives underway to reduce our emissions footprint include:

- Streamlining Capita's global property portfolio to reduce building-related emissions.
- Maintaining our energy efficiency programme, which identifies energy anomalies and enables data-driven efficiency improvements across Capita's property portfolio.
- Procuring renewable electricity across all Capita's controlled UK sites, with intent to extend coverage to 100% of tenanted buildings occupied where possible.
- Transitioning vehicles to electric vehicles or hybrid, with 33% of fleet transitioned to date.
- Promoting hybrid and virtual working to reduce commuting and business travel emissions.
- Increasing the proportion of supply chain spend on suppliers with science-based GHG reduction targets.

Planned actions in 2023:

- Integrate results of 2022 quantitative CSA into Group-wide risk matrix and assess requirements for mitigation.
- Establish which identified risks would be most beneficial to assess quantitatively or assess on a more granular level.
- More detailed analysis of potential opportunities afforded to Capita by the low-carbon transition.
- Develop climate transition plan to Gold Standard in line with UK Taskforce on Transition Plan recommendations.

Risk management

Climate change is fully integrated into our risk management system and, in early 2021, was escalated to a Group-wide principal risk. As a principal risk, climate change is subject to oversight by the ARC and Board, and ownership is assigned to the Group Head of Environment. Risk identification and assessment process: since establishing climate change as a principal risk, Capita has held several internal interviews to understand how risks and opportunities manifest for different divisions and functions. A longlist of risks and opportunities was developed and cross-referenced against both a peer review and TCFD resources, and was qualitatively analysed in 2021.

In 2022, five key climate risks were quantitatively modelled and analysed. The results will be integrated into Capita's Group-wide risk management framework. Assessments into required mitigation actions will be carried out in 2023 and integrated into Capita's investment planning and strategy. In Capita's Group-wide risk assessment process, ongoing and emerging risks are continually monitored across emerging legal, health, safety and environmental regulations (such as the UK Government's PPN 06/21), using Watermans (a third party legal register service provider) and an online compliance tool. Identified risks are added to Capita's risk register and escalated to the Executive Committee if needed. Each identified risk is evaluated against six impact categories: finance, people, legal & regulatory, technology, customer, and strategy. Whichever impact has the highest score will determine the risk's overall risk score, which is then pitched against four levels of likelihood.

As with all Group-wide risks, the climate change principal risk scoring process identifies key controls and mitigating actions to reduce risk from inherent to residual level. Further risk reduction actions are taken to bring residual risk down to the risk appetite level set by the Board. Current climate risk controls include adopting a science-based emission reduction target; monitoring supply chain emissions; climate factors integrated into due diligence when onboarding new suppliers; business continuity planning to ensure climate resilience; a travel policy to reduce business travel; and ongoing monitoring of health, safety and environment legislation. These controls and their effectiveness are reviewed regularly.

Metrics and targets

Climate-related metrics:
The business is committed to developing cross-industry, climate-related metrics in accordance with the 2021 TCFD implementation guidance update.

- Scopes 1–3 emissions: we measure and disclose our operational (Scope 1 and 2) and business travel (Scope 3) GHG emissions annually, see page 43 and our full value chain emissions via CDP's climate questionnaire, in accordance with the GHG Protocol's methodology.
- Exposure to climate related risks: the climate scenario analysis conducted under strategy informs the amount of potential financial exposure to material climate impacts.
- Revenue from climate related opportunities: in 2023, Capita will initiate the categorisation of services that directly/indirectly enable GHG emission reductions through customer implementation. Once defined, systems will be adjusted to track low carbon-related revenues.
- Capital deployment on management of climate risks and opportunities: Capita has established a climate transition plan to achieve net zero, and the costs of achieving this target in alignment with the SBTi are being reviewed in 2023–2025.
- Internal carbon price: Capita is exploring how a bespoke internal carbon price can be used in the capital allocation process to support the business case for investment in low carbon initiatives.
- Proportion of executive remuneration assigned to climate considerations: Capita incorporated performance against Capita's climate targets in remuneration policy in FY2022.

Other climate-related indicators monitored:
- Number of suppliers who set their own science based GHG reduction targets, helping track supply chain emissions and attainment of SBTs.
- Proportion of renewable power for electricity, tracking our fossil fuels phase-out and adoption of new energy sources.
- Emissions associated with business travel, contributing to attainment of climate targets.
- Carbon intensity of business by turnover and headcount.

Climate-related targets:
- Capita has set a range of ambitious targets to reduce the company's impact on global warming, and its exposure to climate-related risks. The SBTi has verified Capita's 2035 net zero science-based target.

Overall net zero target
Capita commits to reach net zero greenhouse gas emissions across the value chain by 2035 from a 2019 base year.

Near-term targets
Capita commits to reduce absolute Scope 1 and 2 GHG emissions and absolute Scope 3 GHG emissions covering business travel 46% by 2030 from a 2019 base year. Capita also commits that 50% of its suppliers by spend covering purchased goods & services and capital goods will have science-based targets by 2025.

Long-term targets
Capita commits to reduce absolute Scope 1 and 2 GHG emissions, and absolute Scope 3 GHG emissions covering purchased goods & services, capital goods, business travel and employee commuting 90% by 2035 from a 2019 base year.

This long-term SBT will require an ambitious 90% absolute reduction of Scope 1, 2 and 3 emissions from 2019, before counterbalancing residual emissions to achieve net zero.

Risk management and internal control

We manage risks proactively

At Capita, we recognise that effective risk management and internal control is fundamental to helping us achieve our strategic objectives. Our ability to identify, assess and manage risks successfully enables us to continue to protect shareholder value and allows us to pursue potential opportunities for growth.

Impact of cost of energy, elevated inflation, rising interest rates and global economic weakness on Capita

In 2022, inflation rates in the UK and around the world rose to their highest levels since the early 1980s. While there is no single reason for this rapid rise in global prices, a series of events worked together to increase inflation to such high levels, including recovery from the Covid-19 pandemic (as demand outpaced supply) and Russia's invasion of Ukraine with resulting sanctions and supply chain disruption that have led to price increases in oil, gas and food across the world.

In November 2022, the Bank of England warned that the UK was facing its longest recession since records began, with the economic downturn expected to extend well into 2024 and unemployment likely to double to 6.5% during the country's two-year slump. Whilst the latest economic projections in the Bank of England's February 2023 Monetary Policy Report anticipate a less severe downturn, there remains considerable uncertainty about the strength of the economy and Capita will continue to monitor the impact on our principal risks.

Internal control and risk management

We continuously seek opportunities to enhance our risk management and internal control environment and introduce greater rigour and standardisation in our processes and controls.

The Board recognises that Capita's control effectiveness remains dependent on management intervention and that inconsistencies in control documentation can lead to process variability across the Group. The Board and the Audit and Risk Committee (the ARC) do not underestimate the work needed to ensure that robust internal control and risk assessment frameworks are embedded fully. Work will continue to be undertaken during 2023 to enhance and improve the standardisation and overall effectiveness of the Group's internal control framework.

Key control questionnaire

The key controls questionnaire (KCQ) is an annual management attestation process where business leaders testify to the effectiveness of key controls and adherence with group polices within their functions, divisions or business units. The results from the KCQ process inform the development of action plans for control improvement during the subsequent year.

The KCQ reinforces accountability and increases business leaders' awareness of their responsibilities in maintaining an effective control environment. The status of KCQ corrective actions arising from the exercise are reported to the executive risk and ethics committee (EREC) throughout the year.

Minimum control standards

The senior finance team undertake an annual self-assessment of financial controls across the Group against a specified set of Minimum Control Standards focused on identifying areas to strengthen controls of improve efficiency. Any material issues are dealt with through mitigating activities to ensure the effectiveness of the existing controls over financial reporting.

During 2022, the Finance function continued to enhance the self-assessment process across the whole organisation to obtain assurance over the operation of key financial controls. It is intended that this process will continue to operate in 2023, in parallel with new and existing control initiatives such as the finance control framework project, which will focus on strengthening key system access controls; refining key finance policies and standards and continuing to simplify and standardise key financial controls.

Risk oversight and governance

A risk-focused culture and tone is expected across all levels at Capita, reflecting the tone at the top set by the Board. The Board is ultimately accountable for providing strategic governance and stewardship of the company. Throughout 2022, the principal and emerging risks facing the company continued to be reviewed by the Board, including those risks that could threaten Capita's business strategy delivery, future performance, resilience or liquidity.

The Board is committed to the continuous improvement of our governance mechanisms and risk management processes, to ensure that risks, including new and emerging risks, continue to be identified and managed effectively at all levels of the Group. As part of this commitment, a regular review of the principal risks was undertaken during the year to ensure that they remain relevant and appropriate. This included determining whether any new or emerging risks should be added to the principal risk profile. The ARC, which has delegated responsibility from the Board for reviewing and assessing the risk management and internal control systems, is responsible for overseeing the Group's principal risk profile and management's risk mitigation strategy.

In 2022 the ARC reviewed, discussed and briefed the Board on risks, controls and assurance, including the annual assessment of the system of risk management and internal control, to monitor the effectiveness of the procedures for internal control over financial reporting, compliance and operational matters.

The EREC is responsible for identifying, assessing, overseeing and challenging principal risks across all Capita's unregulated businesses and provides regular updates to the main Committee.

Capita recognises the importance to clients and customers of the financial services businesses it operates and the need for specific oversight, to manage and mitigate regulatory risks associated with those businesses, which is provided by the financial regulated entities oversight committee (FREOC). The FREOC is chaired by an independent non-executive director, supported by specialist risk and compliance professionals and provides regular updates to the ARC.

On a day-to-day basis, divisional and functional leaders, senior leadership and business unit teams identify, manage and monitor risks that they are accountable for. Capita recognises that risk cannot be fully eliminated and that there are certain risks the Board and/or the senior leadership will accept when pursuing strategic business opportunities. However, these risk acceptance decisions are made at an appropriate authority level and reflect the organisation's defined risk appetite. Capita's risk governance framework is illustrated opposite.

Risk governance structure and assurance lines

3 **Third line of defence**
- Internal Audit reports directly to the Board and ARC on the effectiveness of governance, internal control and risk management, through an independent risk-based assurance programme
- Help safeguard the first two lines and recommend improvements as the risk profile adapts and changes

2 **Second line of defence**
- Provide the policies, framework, tools, techniques and support to empower risk and internal control to be managed by the first line
- Establish monitoring controls, provide oversight and regularly evaluate the effectiveness of the first line
- Promote consistency of the key objectives and management of risk across the Group

1 **First line of defence**
- Includes senior leadership and employees who, as part of their core role, identify and manage key risks
- Equipped with the necessary skills, knowledge and tools to operate effectively and have the relevant authority levels to embed the policies and procedures across the internal controls and risk management frameworks

Risk management process

The risk management framework ensures that ownership and responsibility for identification, assessment and management of key risks and opportunities are embedded throughout Capita. The Board sets the context for risk management through defining the strategic direction and risk tolerances for the organisation as a whole. The divisions, functions and business unit teams then work in collaboration to undertake a 'top down, bottom up' approach to identify, assess and respond to risks faced by Capita.

The risk management process is based on risk registers and risk reporting at the established risk governance committees. Key risks in the registers have assigned risk owners who review them regularly, and report on them at least a quarterly basis, as part of the risk reporting process. The strength of existing controls is

The impact on our risk profile of the rapid deterioration in the global economy, potential prolonged recession in the UK and cost-of-living challenges is being closely monitored

evaluated to determine whether any additional mitigation actions are needed to manage the risk level to within the risk tolerances and appetites set by the Board.

Risks are assessed at both an inherent (pre-controls) and residual (post-controls) level, against two scales addressing: (a) their likelihood; and (b) their potential impact on Capita. The assessment of impact includes finance, customer & client, technology, people, reputation, and legal & regulatory. These risk assessments are designed to ensure a thorough assessment of the risks, as well as the associated causes, controls, mitigations and future risk reduction actions. A risk and assurance committee timetable enables smooth flow of risk information between the divisions, functions, the EREC and the ARC. During 2022 standard terms of reference, agenda and data points were developed at each governance level to ensure risk management is consistently reported and understood across Capita.

Our risk management processes continued to operate effectively throughout 2022. The progression of Capita's disposal programme and external influences such as: the potential UK recession; rapidly increasing inflation and interest rates; and the associated cost-of-living challenges – were all reviewed and considered for their impact on Capita's principal risk profile by the executive team.

Risk appetite

The Board sets the Group's risk appetite, as proposed by the EREC, to ensure that it reflects current external factors and market conditions. The risk appetite outlines: those risks Capita should not take; those which should be managed to an acceptable level; and those which should be accepted to deliver our business strategy.

As part of the risk management maturity programme, risk owners, supported by Group Risk, have been developing risk appetite statements for their respective principal risks. This will provide greater clarity to the organisation and to the risk owners on the acceptable level of risk set by the Board and the steps required to manage risk levels to within the agreed appetite.

Emerging risks

The identification of emerging risks is carried out by both the divisions and business units, using a bottom-up approach, and the executive, from a top-down perspective. Regular reviews of risks, including emerging risks and project/programme risks, are included in risk and assurance committees within Capita's existing governance structures. Capita did not identify any emerging risks during 2022. However, the impact on our risk profile of the rapid deterioration in the global economy, potential prolonged recession in the UK and cost-of-living challenges is being closely monitored.

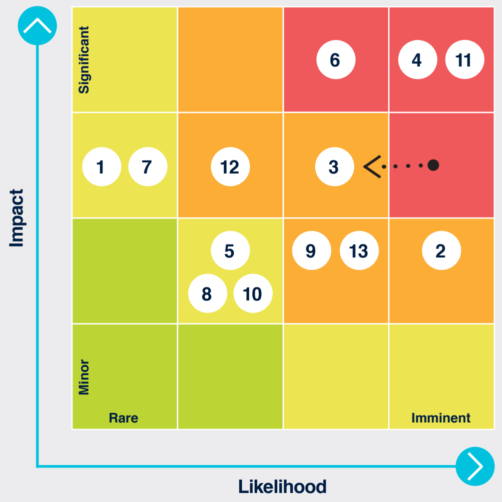
Principal risks

Principal risks are defined as those risks that are significant for the Group and are owned and managed by a specified member of the executive team who has accountability for ensuring that the risk is managed within the risk appetite levels set by the Board. Assigning risk ownership at executive level also ensures that an appropriate level of attention and focus is applied in addressing the principal risks.

A regular cycle of reassessment and reporting of the principal risks is undertaken within the remit of the EREC and the ARC.

For more details on the challenges faced and actions taken to address them, please refer to the Chief Executive Officer's review on page 10.

The Capita principal risk profile as at 31 December 2022, is illustrated below



Key: Level of risk

	Critical	The maximum level of risk Capita can bear and remain effective at delivering its strategy. Of immediate critical concern.
	Uncomfortable	Risk level will cause problems that would put uncomfortable pressure on delivery.
	Vulnerable	Risk level likely to cause problems that would put uncomfortable pressure on delivery.
	Acceptable	A business-as-usual risk, manageable with the right people and processes in place to respond to the threat. A tolerable level of risk.
●··>		Risk movement since 2021 year end

No.	Risk title	Risk description
1	**Living our purpose**	Failure to live our purpose and failure to change stakeholder perception so we are seen to live our purpose
2	**Strategy**	Failure to define, resource and execute the right medium-term strategy
3	**Innovation**	Failure to innovate and develop new value propositions for clients and customers
4	**People attraction & retention**	Failure to attract, develop, engage and retain the right people for current and future client propositions
5	**Culture**	Failure to change the culture and practices of Capita in line with our purpose and strategy
6	**Data protection**	Failure to protect data, information and IT systems
7	**Contracts**	Failure to secure new/extend existing contracts and services
8	**Delighting clients**	Failure to delight clients and customers and deliver contractual obligations
9	**Internal control**	Failure to maintain a risk-based system of internal control
10	**Geopolitical climate**	Failure to plan for, influence and respond to potential changes in the geopolitical climate
11	**Financial stability**	Failure to maintain financial stability and achieve financial targets
12	**Wellbeing, health & safety**	Failure of Capita to protect the wellbeing, safety and health of all Capita's employees, the people we work with and our service users
13	**Climate change**	Failure to adapt Capita and its services to the impacts of climate change

During the year, the likelihood of principal risk 3, failure to innovate and develop new value propositions for clients and customers, reduced when compared with the previous year. We now have a dedicated strategy team working on effectively managing existing propositions and working in collaboration with our sector, growth, consult and transform teams to identify opportunities to create new propositions for our clients. We have also developed stronger strategic partnerships with our key technology providers to enable us to better leverage their products to serve our clients.

The Board remains confident that our existing governance mechanisms and risk management processes will ensure that risks, including emerging risks, continue to be identified and dealt with effectively. However, the Board recognises that a number of these risks are taking a number of years to address and bring back to an appropriate level. The Board also recognises the improvement made, which has resulted in Capita being a simpler business with a stronger operational platform to underpin its future development. At Capita, the principal risks are considered over the same three-year period as the viability statement. They are listed and described opposite and, for each risk, we disclose key mitigations and future actions to further manage the risk and improve internal control.

Principal risk and risk level	Potential impact	How we manage the risk
1 Failure to live our purpose and failure to change stakeholder perception so that we are seen to live our purpose Accountable officer: CEO	• misalignment between the strategic objectives and the purpose of the business • brand and reputation adversely impacted • clients, suppliers, and people don't want to work with, or for, Capita • investors lose confidence in the Group's ESG credentials	Cost of living and inflation impacts may cause us to have more challenging decision points in terms of being a purpose-led business. For example, where the needs of different stakeholders' conflict. **Mitigation actions in 2022** • Established a Board level ESG committee, to oversee our ESG initiatives • Centralised ESG strategic oversight into the Group People function to ensure a globally consistent approach • Developed a refreshed approach to how we deliver social value, and how this complements our core service offerings **Future actions** • Refresh our corporate responsibility business strategy to ensure maximum impact and alignment with our evolving business • Continue to build external visibility of activities related to our purpose, values, behaviours and ESG credentials • Further develop our approach to social value delivery in order to align to our overall ESG principles

Principal risk and risk level	Potential impact	How we manage the risk
2 Failure to define, resource and execute the right medium-term strategy Accountable officer: CEO	• misalignment between Group and divisional objectives • inability to evolve strategic objectives eg adapt to a changing market environment/ client expectations/ competitor action/policy • difficult to articulate and optimise investment case for investors • ineffective prioritisation of capital investment/ investment decisions with sub-optimal returns versus competitors	This risk is managed through regular review, challenge and update of divisional strategies at least annually with Executive Committee and Board approval, ensuring alignment to Capita's corporate strategy. **Mitigation actions in 2022** • Embedded the operating changes and focused on growth in our areas of core competencies • Continued to dispose of portfolio businesses at the right price to reduce debt and improve liquidity • Reviewed the divisional medium-term strategies, including market and competitor analysis, which were also presented to the Board and Executive Committee • Investment provided to develop and implement the first stage of Public Service divisions' digital strategy • Operational optimisation plan prepared within the Experience division for delivery throughout 2023 • Strengthened its commercial model with more stringent pricing discipline, given the macroeconomic backdrop **Future actions:** • Focus on growth in our areas of core competency • Execute and deliver Public Service division's digital strategy investment programme • Embed Experience division's operating model changes to drive more effective operations and delivery • Review and enhance Capita's strategic partnerships ecosystem

Principal risk and risk level	Potential impact	How we manage the risk
3 Failure to innovate and develop new value propositions for clients and customers Accountable officers: divisional CEOs	• inability to grow and develop into new markets • failure to compete with others who are innovative • loss of new and existing business to competitors • eroded corporate position in the market	Within the Strategy function, we have a dedicated team working on effectively managing existing propositions and working in collaboration with Sectors, Growth, Consult/Transform and the digital transformation programme to identify prioritised opportunities to create new propositions for our clients. **Mitigation actions in 2022** • Horizon scanned new customer value propositions • Developed stronger strategic partnerships with key technology providers to enable us to better leverage their products to serve our clients • Explored opportunities to invest in the innovation and product teams to build future capability • Rolled out the governance product lifecycle **Future actions:** • Improve definition of propositions, and related communications and marketing material • Match our integrated capabilities to client and market demand • Standardise and integrate our digital capabilities to deliver more efficient solutions for our clients • Align innovation within the overall governance across the product lifecycle to develop scalable, monetizable, global client value propositions • Leverage market insight to identify opportunities to develop innovative & client centric value propositions with unique selling points • Align country led go to market strategies, as the north star to drive central and in-country innovative solutions
4 Failure to attract, develop, engage and retain the right people for current and future client propositions Accountable officer: Chief People Officer	• loss of key personnel/lack of succession • increased staff attrition and increase in costs from buying in short-term contractors • poor financial performance resulting in inability to grow • reputational damage	The cost of living challenges and inflationary environment are having a significant impact on the UK labour market and our attrition levels. Unprecedented recruitment activity is being driven by job seekers looking for alternative employment, across sectors. **Mitigation actions in 2022** • Further developed our people proposition and attraction strategy to respond to market labour challenges • Continued focus on ensuring competitive pay and reward packages • Introduced a demand planning methodology to enable proactive recruitment • Improved the onboarding process to rationalise and reduce onboarding time for candidates • Developed a career path framework enabling employees to plan and develop their careers **Future actions:** • Further develop our people proposition and attraction strategy to respond to market labour challenges • Continue to review pay and reward packages to ensure that they remain competitive • Roll out the career path framework to enable employees to plan and develop their careers • Implement technology to enhance candidate journey and reduce time-to-offer

Principal risk and risk level	Potential impact	How we manage the risk
5 Failure to change the culture and practices of Capita in line with our in line with our purpose and strategy Accountable officer: CEO	• potential for new clients not to want to contract with Capita • unable to attract and retain talent • negative corporate reputation hampers our ability to deliver sustainable growth • lack of staff engagement and demotivated staff leading to attrition hindering ability to deliver strategic objectives	Cost of living and inflation impacts may cause engagement challenges in specific parts of the business, particularly where our employees are in a lower pay bracket, and therefore are significantly more affected by increases in the cost of living. This could cause reduced engagement and cultural impacts, specifically related to employee confidence in Capita as a purpose-led business. **Mitigation actions in 2022** • Implemented a mid-year employee survey to improve employee engagement to identify further improvements • Continued to work with over 15,000 colleagues in our expanded employee network groups to deliver a range of policy and procedural changes based on employee feedback. We saw a resulting increase in our global inclusion index • Launched the Capita leadership council to provide more diverse employee input into Group-wide strategic decision making, as well as demonstrating our commitment to growing diverse, internal future leaders in line with our commitments as a purpose-led employer • Continued to work on the embedding of our employee value proposition throughout the full employee lifecycle, therefore working to create a consistent, purpose-led and values driven experience for every employee from attraction to exit **Future actions:** • Deliver our employee listening programme, acting at all levels on the feedback received via our surveys • Work with our employee network groups to drive positive cultural and policy changes • Work with our leadership council, to bring constructive challenge and diverse thinking to our executive

Principal risk and risk level	Potential impact	How we manage the risk
6 Failure to protect data, information and IT systems Accountable officer: Chief Technology Officer (CTO)	• loss or theft of confidential client or customer data due to cyber attack • disruption to business operations of Capita and/or its customers due to cyber attack • loss of one or more of Capita's data centres • reputational damage leading to loss of new and existing business	TSS was created in August 2021 as an IT and Software shared service to deliver products and services to Capita's colleagues and clients. This consolidation of resource and capability into TSS, enables Capita to better manage and continually improve the IT and cyber resilience posture, standardise toolsets and create repeatable and scalable products and services, and to simplify how we operate as a business. **Mitigation actions in 2022** Established the technology strategy for TSS as a wider business to introduce standardisation and harmonisation of Capita's IT landscape. Strategy created on the back of having completed industry, market led and client analyses of Capita's technology domains. • Consolidation of over 4,000 IT resources into a shared service to drive efficiencies and improve service levels • Improved stability of IT environments • Migration from legacy hosting into a Tier 3 industry standard for improved data centre performance, removal of end-of-life systems Identified a clear road map for technology to ensure full foresight of any upcoming technology obsolescence. **Future actions:** • Enhance our understanding and reassessment of the technology risk profile by creating a centralised risk register • Continue to evolve our cyber security posture • Create a pan-Capita IT disaster recovery shared service to consolidate and simplify the capability and enhance resilience • Continue to invest in our capabilities and people • Invest in enhancing digital capability in the identified priority tech domains • IT Asset Management to enhance visibility of the estate

Principal risk and risk level	Potential impact	How we manage the risk
7 Failure to secure new contracts/ extend existing contracts and services Accountable officers: divisional CEOs	• loss of contracts • inability to acquire new business • contract terms and service commitments are not met or understood • exposure to unexpected costs/cost overruns or onerous terms • brand and reputation damage • financial claims/ penalties and other disputes with clients • adverse impact on contract profitability	We continue to bid for and win new contracts that we are confident we have the resources and proven track record to deliver. Continued focus on maximising the benefit of our operating model will ensure our competitiveness in our principal markets. Coupling this with our deep sectoral understanding through the industry verticals in our core divisions should enable us to maximise our market opportunities. **Mitigation actions in 2022** • Refreshed the contract review committee policy and deal review process • 'Solution briefcase' relaunched in Public Service • Public Service commercial playbook develop and embedded • Delegation of authority matrices updated to reflect new ways of working • Coordination between Pursuit, Programme and Performance teams improved • Go to market strategies to influence market trends and solutions approved by the Board • Focused on our technology and digital assets in collaboration with TSS and our Products and Customer Value Proposition teams **Future actions:** • Investment in digital propositions to enhance attractiveness to the market • Fortify the strategic deals team to support high value multi-year contract opportunities • Deploy clear focus on growth across geographies with specialisation across go to market value propositions • Leverage the new organisation and operating model to enhance market penetration via land and expand opportunities • Recalibrate pre-sales to delivery process, including governance across quality of deals, with focus on margins and profitability

Principal risk and risk level	Potential impact	How we manage the risk
8 Failure to delight clients and customers and deliver contractual obligations Accountable officers: divisional CEOs	• loss of existing contracts • brand and reputation damage • limited or no new business • demotivated staff leading to attrition and loss of capability/capacity • financial penalties and/or service credits	We deliver services that are vital to the success of our clients; Capita will take all reasonable steps to ensure it meets contractual obligations and deliverables. Performance against deliverables is regularly and rigorously monitored through several governance forums. **Mitigation actions in 2022** • Continued development of the divisional operating environment to drive simplification and strengthening of service delivery • Increased automation of Development Operations • Improvements undertaken to operational performance reporting, to support earlier identification of potential performance concerns • Risk reduction operational maturity assessments undertaken to identify opportunities to deliver better outcomes for our clients • Commonality identified in failures or issues across divisions, and addressed through coordinated action • Rolled out foresight demand planning tool to better predict and manage recruitment pipeline and mitigate attrition risk across the business • Introduced a new customer success framework **Future actions:** • Project Accelerate to review, transform and strengthen current capabilities (incl. operational excellence plan 2023) • Continue top lessons learned activity to maintain learning from experience • Continued review/development of 'function' through the future Capita operating model work to drive consistency and standardisation • Focus on data-led, technology-driven and people-enabled business model, keeping our clients at the forefront of all our initiatives • Leverage Lean 6 Sigma capabilities to drive operational excellence across delivery platforms globally • Deploy continuous improvement insights and analytics to deliver solutions that drive enhanced customer experiences for our clients and their customers

Principal risk and risk level	Potential impact	How we manage the risk
9 Failure to maintain a risk-based system of internal control Accountable officer: CFO	• fraud, misstatement and inaccurate financial reporting • greater regulatory or client scrutiny • increased costs associated with risk remediation activities • breaches of law, statutory and legal reporting leading to regulatory fines in financial services sector and loss of key contracts • reputational damage and adverse media interest leading	Our internal controls effectiveness has historically been dependent on management experience and intervention. A multi-year control improvement programme is underway with progress being made in establishing and communicating standards, automating system access controls, and standardising control activities across the Group. The implementation of efficient processes and controls is key in reducing effort, duplication and costs to mitigate the impact of inflation on the Group. **Mitigation actions in 2022** • Established a programme to standardise finance processes and controls • Further improved the coverage of financial policies and associated standards • Refreshed and updated the delegation of authority document following the implementation of the new divisional structure • Deployed software which has automated reviews of access to key finance systems **Future actions:** • Continue to standardise finance processes and controls • Review and refresh the framework that ensures consistency and quality of Group wide policies and standards • Further documentation of our key business processes to enable additional standardisation and automation of our key business processes and controls
10 Failure to plan for, influence and respond to potential changes in the geopolitical climate Accountable officer: CEO	• unable to respond rapidly and effectively to new political priorities which change the regulatory environment and public sector customer priorities	We may encounter changes in government priorities as we approach a period of political turbulence in the run-up to a UK general election. We continue to monitor, engage and communicate with government stakeholders to understand emerging policy and contribute to consultations where appropriate. Our continued commitment to being a leading responsible business, our reputation for reliable delivery and seeking contracts that enhance social value will remain our key focus. **Mitigation actions in 2022** • Continued engagement with UK Government and others to promote and protect reputation • Continued monitoring of policy developments including emerging plans for governmental strategic objectives including levelling up **Future actions:** • Engage with Government and elected reps from all main UK political parties, including the devolved parliaments and assemblies to communicate Capita's delivery performance and capability, and our commitment as a responsible business

Principal risk and risk level	Potential impact	How we manage the risk
11 **Failure to maintain financial stability and achieve financial targets** Accountable officer: CFO	• poor cash flow and high levels of debt reduce liquidity available to invest in business development and growth • loss of shareholder value • loss of investor confidence	The impact of the challenging economic environment on the trading performance of the Group is outlined in the Chief Financial Officer's review. The Group's materially reduced level of net debt, pension deficit reduction, prudent approach to balance sheet management and focus on delivering against our financial objectives all serve to mitigate the risk of financial instability. **Mitigation actions in 2022** • Completed the disposal of several key businesses including the Trustmarque business, Pay360, and the real estate and infrastructure consultancy businesses • Agreed an extension to the Group's RCF to August 2024 **Future actions:** • Completion of remaining planned disposals of businesses • Review the Group's capital structure on completion of disposals • Continued focus on resources in the two core divisions and reductions in Group overheads with the aim of delivering sustainable material free cash flow

Principal risk and risk level	Potential impact	How we manage the risk
12 **Failure of Capita to protect the wellbeing, safety, and health of all Capita's employees, the people we work with and our service-users** Accountable officer: Chief General Counsel and Company Secretary	• poor health, injury and death of colleagues and service users • legislative breaches/ prosecutions, including corporate manslaughter • costs associated with compensation and litigation • reputational damage • increased levels of absenteeism and recruitment/ retention challenges • increased insurance premiums • loss of contracts or inability to win new contracts • reduced willingness of contractors to work with Capita	The cost-of-living crisis and rising inflation have increased financial and social concerns for many Capita colleagues with significant potential consequences for their day-to-day lives. These types of social, financial, and practical/day-to-day impacts are known to have potential negative effects on wellbeing in general and mental health in particular. **Mitigation actions in 2022** • Developed and implemented a culture of ownership and accountability for the wellbeing, safety and health of our people by Group, Divisional, and business leadership • Assessed and validated Capita's legal and statutory wellbeing, safety and health requirements • Embedded CRC HSE & Safeguarding risk assessments for new contracts • Updated the approach and process to wellbeing, safety and health incident and near-miss reporting, management and analysis **Future actions:** • Complete detailed pan-Capita wellbeing assessment • Develop a pan-Capita mental health plan including alignment • Initiate new mandatory HSE training programme • Expand proactive occupational health intervention programme in Capita UK • Review and confirm health screening policies for all Capita business units

Principal risk and risk level	Potential impact	How we manage the risk
13 **Failure to adapt Capita and its services to the impacts of climate change** Accountable officer: Chief General Counsel and Company Secretary	• unpredictable shift in markets to low carbon leading to increased costs and reduced revenue • increased cost and uncertainty of investment in new technology and substitution of existing products and services • reputational threats from slow adaptation to climate change • increased cost of regulation and decarbonisation resulting from transition to a lower carbon economy • impact on infrastructure, service delivery and supply chain from extreme weather events • impacts of global warming in different territories on business continuity and staff welfare	The global economic downturn has contributed to lower-than-expected delivery against commitments made at COP26, which may lead to an increasingly disorderly low carbon transition. Scenario analysis of climate risks and opportunities point to a greater threat of disruption from disorderly transition, requiring immediate action to minimise the impact to Capita, its stakeholders and wider society. **Mitigation actions in 2022** • Linked objectives and management bonus to net zero initiatives • Reviewed the HSE policy to include specific environmental factors and creation of a new environmental standard • Engaged with suppliers and customers to ensure resilience to transitional and physical climate risk, developing low carbon business solutions supporting net zero commitments • Introduced further efficiency, renewable energy, and travel reduction programmes **Future actions:** • Integrate climate culture and practice into Capita business as usual • Progress against targets reported in divisional performance reporting from 2023 • Continue to improve understanding and management of Scope 3 emissions • Increase accuracy and maturity of supply chain emissions reporting and extend scope of supply chain engagement • Develop and implement net zero plans and low carbon transition plan • Further develop our emissions database, analysis, insights, and associated actions to minimise climate risk

Viability statement

In accordance with provision 31 of the UK Corporate Governance Code 2018, the Board has assessed the viability of the Group and Parent Company over the three-year period to 31 December 2025, aligned with the period of the Group's bottom-up business planning process. The Board believes that a three-year period provides sufficient clarity to consider the Group and Parent Company's prospects and facilitates the development of a robust base case set of financial projections against which severe but plausible downside scenario stress testing can be conducted.

The completion of the Group's multi-year transformation programme during 2021 created the platform for sustainable improving financial performance which underpins the viability of the Group and Parent Company. The Board particularly notes the following:

- The simplification and strengthening of the Group's organisation design establishing two core divisions focused on public and private sector markets providing a platform for continued revenue growth and delivery of efficiency savings.
- Adjusted revenue growth in 2022 of 2.4%.
- A significant reduction in the Group's cost base, with cumulative savings during the transformation programme of £428m.
- The ongoing successful execution of the non-core business disposal programme which has realised net cash proceeds totalling c.£1.3bn since 1 January 2018, used to repay maturing debt, to make further deficit reduction contributions to the Group's main defined benefit pension scheme and to invest in driving growth in the remaining core businesses.
- The repayment of £1.7bn of debt, including lease liabilities, since 1 January 2018.
- The extension during 2022 of the Group's revolving credit facility (RCF) to 31 August 2024 and in February 2023, the Group entering into a committed bridge facility of £50m with three of its relationship banks providing additional liquidity from 1 January 2024.
- The payment of c.£350m of deficit reduction contributions to the Group's main defined benefit pension scheme since 1 January 2018, and the commitment to a further c.£70m of deficit reduction contributions across 2023–2024, which should enable the scheme to reduce its reliance on the covenant of the Group.

The foregoing elements provide the backdrop to the three-year business plan approved by the Board in January 2023 and are key factors in the Directors' viability assessment. The main assumptions underpinning the base case financial projections in the Group's business plan are set out below:

- Further adjusted revenue growth broadly in line with market trends in each of the two core divisions.
- Operating profit margin expansion over the business plan period reflecting the benefit of operating leverage coupled with ongoing efficiency delivery.
- Completion of the portfolio disposal programme during 2023.
- The refinancing of the Group's RCF prior to its maturity in August 2024.

The most material assumptions from a viability assessment perspective, relate to the continuation of adjusted revenue growth, operating profit margin expansion, and the refinancing of the RCF. Capita has been successful in obtaining new and extended financing facilities over the last few years. As such, in concluding on viability the Board believes that it is reasonable to assume that the Group will be successful in refinancing the RCF in line with the assumptions underpinning the base case financial projections.

The three-year base case financial projections were used to assess covenant compliance and liquidity headroom under different scenarios. This analysis included assessing the sensitivity of the financial performance of the Group to changes in trading conditions in line with those considered in the severe but plausible downside case for the going concern assessment and from the crystallisation of specific risks including those set out in the principal risks section of the 2022 Annual Report and Accounts (refer to section 1 of the consolidated financial statements).

The risks applied have not been probability weighted but rather consider the impact should each risk materialise by applying a 'more likely than not' test. These wide-ranging risks are unlikely to crystallise simultaneously and there are mitigations under the direct control of the Group, including reductions in capital investment, substantially reducing and (or removing in full) bonus and incentive payments and significantly reducing discretionary spend, that can be actioned to address a combination of risk crystallisations that may occur under a severe but plausible downside. These have been considered in the Board's viability assessment.

Based on this assessment and reflecting the Board's confidence in the platform for improving financial performance resulting from completion of the transformation plan, and the Group's ability to refinance, the Board has 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.

The strategic report was approved by the Board and signed on behalf of the Board:

Claire Denton
Chief General Counsel and Company Secretary
2 March 2023
Capita plc
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