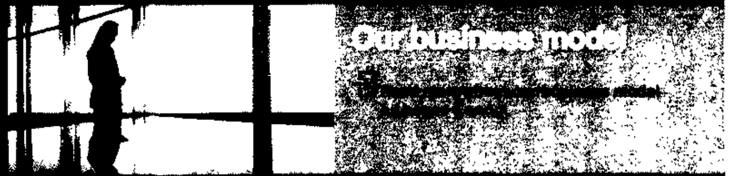
Capita plc
Annual Report 2021

Capita

Our purpose

Capita is a purpose-led organisation which exists to 'create better outcomes' for all its stakeholders.

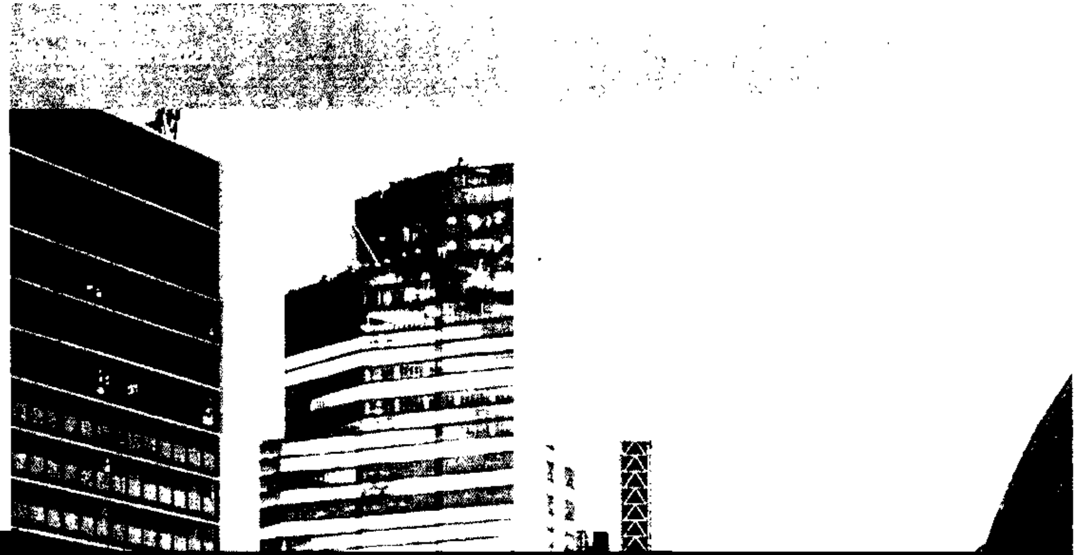
Read more about our purpose on page 4.



Cautionary statement

Our performance

During 2021, we completed our transformation, establishing a platform to drive sustainable improving financial performance, while continuing to strengthen the balance sheet. We also continued to focus on maintaining high standards of client service delivery and ensuring that all our stakeholders remain a priority for Capita.



Financial highlights and KPIs

Read more in the Chief Financial Officer's review on pages 26 to 34.

Non-financial highlights and KPIs

(6.9)%

CO$_2$ emissions Scope 1,2 and 3[7]

43.6m

41%

4. Data includes invoices paid through Capita UK companies.
5. White/Black, Asian and minority ethnic. 25% of people chose not to respond or not to specify
6. Reduction in carbon footprint based on emissions per headcount from 2018 baseline.
7. Scope 3 for business travel only.

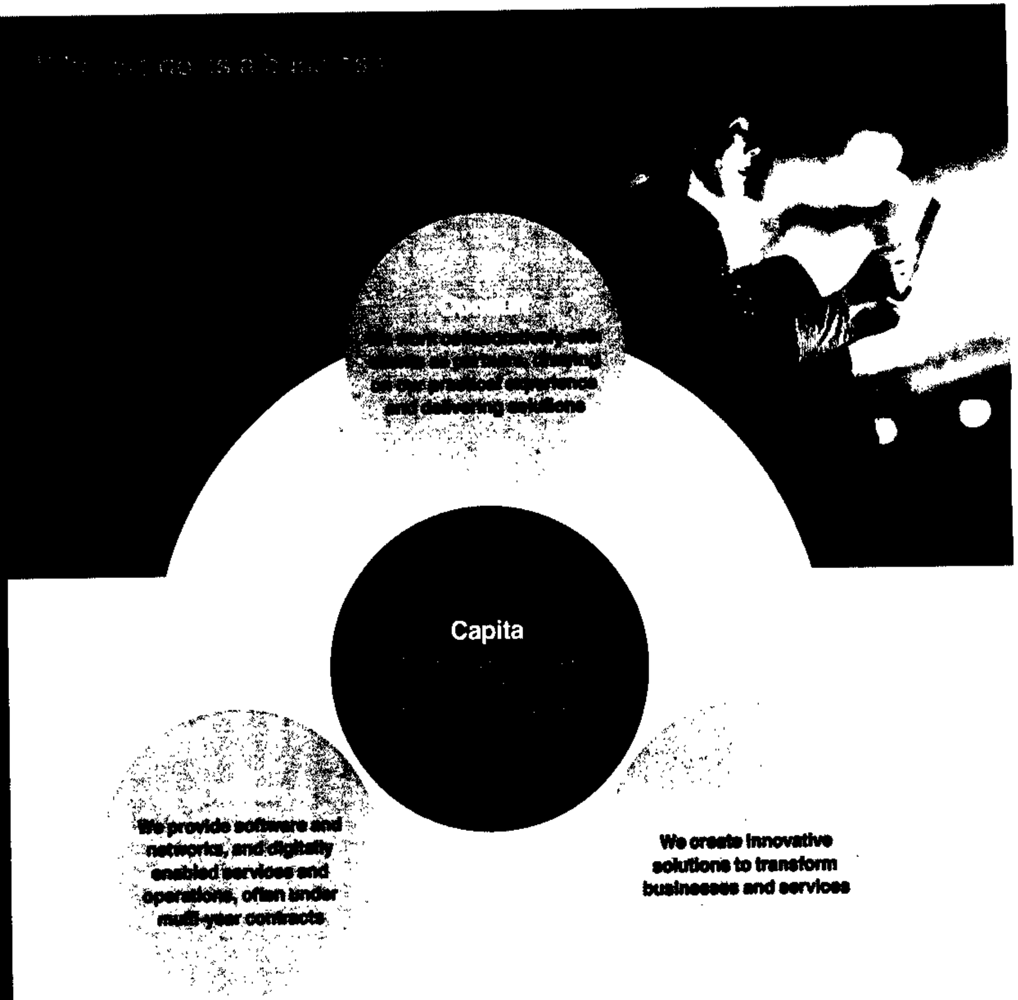
About us

We are driven 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 solutions to transform and simplify the connections between businesses and customers, governments and citizens.

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

We operate across three divisions – Public Service, Experience and Portfolio – in the UK, Europe, India and South Africa.



Public Service

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

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

Adjusted revenue contribution

47%

Adjusted divisional operating profit contribution

51%

Experience

The UK's leading customer experience business with a blue-chip Client base designing, transforming and delivering high-quality customer service.

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

39%

36%

Adjusted revenue[1] contribution

14%

(2020: 14%)

Adjusted divisional operating profit[1] contribution

13%

(2020: 13%)

Divisional financial performance (see also pages 19–22 and 25) is presented on an adjusted basis. Reported [illegible] 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 [illegible].

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

Our purpose

We are driven by our purpose [illegible] better outcomes' – for our [illegible] clients and customers, [illegible] partners, investors [illegible]

We are committed [illegible] business – in how we operate [illegible] respect our people and the [illegible] deliver improving returns [illegible]

Capita 'creates better outcomes' for all its stakeholders:

by providing an environment in which they [illegible]

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

by treating them fairly and encouraging them to deliver.

by delivering improving returns

by acting as a [illegible]

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

- Open
- [illegible]
- Collaborative
- Effective

Our strategy

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

Simplify

Strengthen

Succeed

Measured through our KPIs:

Financial

Non-financial

1. Refer to APMs on pages 219 to 222.

Aligning with our performance-based remuneration:

for the executive directors determined by:

How we create value

At Capita, we provide consulting, transformation and digital services.

Our markets:

Public: BPS spending growing at c.5% (Source: TechMarketView)

Government spending in the UK with private organisations is around £110bn and spending on BPS is growing at around 5%. The forecast market growth is driven by government increasingly looking to leverage technology, new digital products and emerging capabilities such as artificial intelligence.

growth of c.5% (Source: Everest)

experience market is … and is expected … over the next three … includes a … self-service, … and high- … supported by

Our expertise and resource

Market expertise

Technological resources

Client relationships

Our people

International infrastructure

Our consultants:

- **Work collaboratively with clients as trusted, long-term strategic partners.**
- **Proactively** identify opportunities **within client** 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 digital services:

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

Generating financial value

Efficient operations

Transformational services

Generating cash flow

Transactional services

Better outcomes for stakeholders

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

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

by treating them fairly and encouraging them to deliver.

by delivering improving returns.

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

Establishing the platform for growth

Strategy and performance

The Board and governance

[illegible]

Values and culture

[illegible] critical [illegible] culture [illegible] able to create better [illegible] all stakeholders – our people [illegible] customers, suppliers and partners, [illegible] society.

[illegible] the safety and [illegible] our number [illegible]

[illegible] the lowest [illegible] and are proud to [illegible]

[illegible] have continued to focus [illegible] diversity and inclusion across [illegible] The diversity of the Board [illegible] are pleased that four of [illegible] committee members [illegible]

[illegible] to work hard to [illegible]

[illegible] seen a fall in [illegible] This partly [illegible] changes [illegible] and the continuing [illegible] the pandemic.

[illegible] determined to create an [illegible] and supportive [illegible] and retain great [illegible]

We are also focused on strengthening our credentials as a responsible business by delivering on our environmental, social and governance (ESG) objectives.

In February 2021, as part of our commitment to help fight climate change, we set our science based carbon emissions reduction targets and have pledged to achieve full net zero, including across our supply chain, by 203[illegible].

Looking forward

Over the past five years, the changes necessary to set Capita on a sustainable future have been substantial and difficult. The scale of the transformation was greater than could have been imagined, but the progress made under new leadership since 2017 has been significant and deserving of recognition.

There is still much to be done at Capita and challenges remain, but 2021 was a year of progress in which many goals set at the beginning of the year were achieved.

Despite headwinds, we have established the platform to deliver both revenue growth and sustainable free cash flow.

We now need to execute on our business plan and ensure the progress delivers returns to investors.

Sir Ian Powell
Chairman

A year of significant change

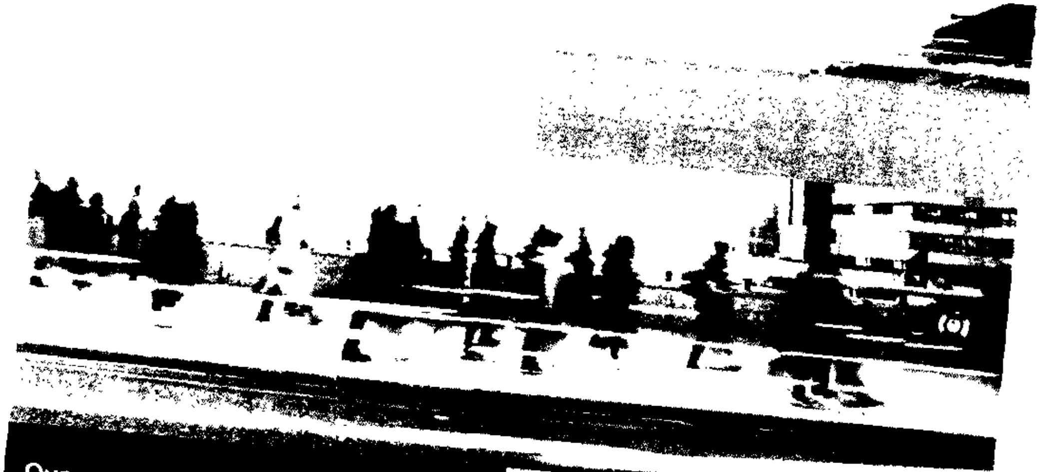
Summary

In 2021, we set out an ambitious and far-reaching roadmap to take us to net zero by 2035.

Underpinned by science-based targets, our three-phased approach aims to see us reach operational net zero by 2025 and operational and business travel net zero by 2030. This will involve reducing business travel emissions by 75% from 2019's baseline and transitioning our fleet to EV by 2032.

We have committed to achieving full net zero, including across our supply chain, by 2035, ahead of the UK Government's target of 2050. This requires working closely with our supplier base of around 21,000 to guide and support them in setting their own targets.

For additional information on our net zero plan see page 47



Our net zero timeline

Operational net zero by 2025

Neutralise operational Scope 1 and 2 emissions

Operational and travel net zero by 2030

Neutralise operational Scope 1 and 2, and business travel emissions

Full net zero completion by 2035

Neutralise operational Scope 1 and 2, business travel and supply chain emissions

increase margin and cash conversion and to drive positive free cash flow.

Financial results

Adjusted revenue at [illegible] has grown for the first time in [illegible] years, albeit modestly, to £[illegible] ([illegible]). This was underpinned [illegible] major contract wins, in particular the Royal Navy training contract and in the [illegible]. These offset the [illegible] of contract [illegible] mainly from 2020 in the Experience division, as well as the net revenue loss of Covid contracts won in 2020. We also expected further benefits from a recovery in our Covid affected businesses, such as Agiito, our travel and events business, but lockdowns and slow market recovery affected this significantly.

Adjusted profit before tax increased by £88.1m this year to £[illegible] (2020: £[illegible]). This primarily reflected the benefit of transformation cost savings, new revenue and the unwind of the prior year holiday accrual, offsetting revenue losses and the reinstatement of the employee bonus scheme. Reported profit of £[illegible] (2020 loss [illegible]) also benefited significantly from profits on the sale of Education Software Solutions ([illegible]) and AXELOS in particular, offsetting the write down of our historical [illegible] systems assets as well as onerous contract provisions at our closed book Life & Pensions business.

Cash generation is a key metric for the business. Our adjusted free cash flow was £[illegible] (2020: £[illegible]), but we also had to fund £[illegible] of additional cash commitments, including £[illegible] of VAT deferred from last year, pension payments of £[illegible] and our final year [illegible] the [illegible] restructuring payments of £[illegible]. Reported free cash outflow in 2021 of £[illegible] (2020 inflow £[illegible]) reflects these additional payments.

We continued to strengthen the balance sheet during the year, with net debt reducing to £[illegible] at 31 December 2021 (£[illegible] at 31 December 2020), [illegible] mainly through our disposal programme. In [illegible] 2022 we reached our [illegible] target [illegible] ahead of schedule, enabling us to meet £[illegible] of debt maturities in 2021 and 2022. More broadly, we are also targeting a reduction in our other financial obligations, including further pension deficit contributions and reducing our lease commitments through our property footprint reduction.

Purpose

[illegible] outcomes [illegible] our markets and therefore a fundamental part of our strategy with NPS and eNPS scores linked to remuneration [illegible] being a driver of [illegible] the social value and net zero [illegible] contracting.

[illegible] points [illegible] which have [illegible] exceptional [illegible] our clients [illegible]

[illegible] eNPS declined this year by 22 points. [illegible] expected some decline as a result of the scale of the transformation activity in the [illegible] more pronounced than we had [illegible] already challenging [illegible] challenge [illegible] While employees [illegible] surrounding [illegible] the longer term [illegible] address and this [illegible] communication and engagement [illegible] investment in training and development and implementing a more [illegible] value proposition. The [illegible] 2022.

Our plan [illegible] the diversity of our people [illegible] the need to represent the communities that we work in, our desire to attract and retain high quality talent, and to broaden the range of thinking and innovation in the business. Our Board has increased its diversity, particularly with the appointments of Neelam Dhawan and Nneka Abulokwe, and [illegible] of the Executive Committee is now female with [illegible] Black, Asian and minority ethnic representation, but there is still more to be done throughout the organisation.

In 2021 we [illegible] plan to have [illegible] the UK [illegible] Underpinned by [illegible] and three phased approach aims to [illegible] reach operational net zero by 2025 and operational and business travel net zero by 2030. This will involve reducing business travel emissions and transitioning our fleet to electric vehicles by 2030. We [illegible] with our supplier [illegible] supply chain has now signed up to [illegible] targets. We reduced our Scope 1 and 2 emissions by [illegible] in 2021 compared with our 2019 baseline, largely due to [illegible]

Looking at other stakeholders, our supplier metrics have also improved, with 98% of all suppliers being paid within government guidelines of 60 days, a three percentage point [illegible]

We operate the Ultra Low Emission Zone (ULEZ) on behalf of TfL. In 2021, we delivered the successful expansion of the zone from a small part of Central London through to the boundaries of the North and South Circular roads. This was a key milestone for Mayor of London, Sadiq Khan's, work to reduce air pollution in the city and make London's streets safer for all road users. Teams from across Capita worked in partnership with TfL and our supply chain to deliver the very significant cloud migration, scale the existing platforms and bring new team members on board to ensure the service was ready to launch.

We signed a learning services contract renewal worth up to £124m with a major UK financial services client. Under the contract, our Capita Learning Services business provides a broad range of learning services, as well as market insight and thought leadership. These services include learning consultancy, virtual and face-to-face learning programmes, and digital and simulated learning. We are also responsible for procurement and management of any third-party learning suppliers to the client, including administrating training and the sourcing of learning professionals to deliver on client projects.

[redacted]

Winning business and growing revenue

Our markets

[illegible] digital [illegible] in the public [illegible] large and [illegible] that we address are [illegible] a year, with niches [illegible] more than double that rate.

[illegible] Public Service and [illegible] positions in their [illegible] government's largest IT [illegible] the UK's leading [illegible] respectively. Our [illegible] and our insight [illegible] and [illegible] years of experience [illegible] leading positions in those [illegible] with some of the [illegible] of technology, such [illegible] Amazon Web [illegible] developing our own [illegible] to [illegible] outcomes.

Operational delivery supporting contract retention and new business

[illegible] operational [illegible] to deliver [illegible] a fundamental part of [illegible] establishing our clients' trust [illegible] new revenue. We now have a [illegible] delivery with key growth clients such as [illegible], for whom we delivered a significant cloud migration and additional [illegible] platform.

Our [illegible] remained met [illegible] day to day [illegible] level KPIs [illegible] through the year and our IT infrastructure is now significantly more reliable, with critical incidents down by 88% since January 2018 and our average resolution time 2[illegible] quicker than the industry benchmark.

We have now finished fixing failing legacy contracts [illegible] when we started the transformation, with PCSE and EMS resolved in the year as planned.

The return on this investment [illegible] that we [illegible] and [illegible] work with many of our clients where we historically had delivery issues; the extension of the British Army Recruitment (RPP) contract; the ULEZ with TfL; the award of the Tuition scheme administration with the Department for Education; and further work with the Ministry of Justice.

Our aggregate contract renewals remains high at [illegible] at the high NPS scores [illegible] annual revenue attrition [illegible] almost double that [illegible] in recent years. Overall, we have a more solid revenue foundation on which to build growth opportunities.

Winning revenue

We are now starting to deliver the contract wins that will underpin that revenue growth, as we leverage scale and client insight, alongside our re-established operational reliability. The focus of the [illegible] into market verticals means that we can now bring a range of products and capabilities together to focus on specific client needs, which is a significant change for us. The benefit of this approach is already evident in the recent successes at the Ministry of Defence, and within our Financial Services and Telecoms verticals.

In 2021 we won £3.8bn of total contract value (TCV), an increase [illegible] on 2020 (£2.9bn). This included a small number of large contracts (Royal Navy, two European telecoms contracts and two financial services clients) but just under [illegible] of the TCV was won in contracts valued under £50m. The bulk of the TCV was won in the Public Service division, which saw TCV growth of [illegible] year on year, while the Experience division was broadly flat. The [illegible] increase [illegible] in TCV to [illegible] (2020: £512m). The in-year benefit of the total contract wins was £1,208m, 10[illegible] higher than 2020, with a comparative decline in Experience due to the

Building a pipeline for future revenue growth

[illegible] better structured [illegible] together [illegible] As we [illegible] new divisional [illegible] We will also become more [illegible] Finally, we will continue to leverage the consult, transform and deliver model that is expected to [illegible] opportunities for the [illegible] the margin mix of [illegible]

[illegible] pipeline of new [illegible] weighted pipeline is [illegible] when adjusted [illegible] contract which was [illegible] The 2021 weighted [illegible] the Royal Navy training [illegible] equally between [illegible] and Public Service [illegible] opportunities [illegible]

[illegible] a number of [illegible] extension [illegible] in the first half [illegible] Service company [illegible] and the DWP.

Operational excellence, efficiency and scale to drive margins

Reducing cost

Over the [illegible] transformation we have made [illegible] more than [illegible] the cost base in line with a smaller, more efficient and more focused business. Savings in 2021 totalled [illegible] which were again focused on operational excellence, taking out spans and layers of management as we integrated businesses and operations, and savings in the overhead and Group functions. These cost savings [illegible] improvement in 2021.

Our operational excellence programme is focused on [illegible] and productivity improvement and will be enhanced by benefit derived from our new structure, including standardisation and best practice experience from around the Group, as well as deployment of digital [illegible] and robotic process automation.

We made procurement and IT savings of [illegible] through consolidation and benchmarking suppliers, renegotiating [illegible] term [illegible] data centres [illegible]

Reducing the [illegible] property portfolio continued [illegible] the [illegible] properties [illegible] top of the [illegible] reducing the associated lease obligation by [illegible] Capita has now reduced its property footprint by [illegible] over the past two years.

Completing the transformation and implementing our new leaner structure allowed savings in the Group overhead and functions [illegible] delivered in 2021 [illegible] productivity and [illegible] number of legal entities in the Group.

Managing inflation

As [illegible] most other businesses in the UK, inflationary pressures increased in 2021 [illegible] staff attrition. This was experienced across all of our businesses, but in particular [illegible] in India, consultants and [illegible] staff in the UK.

[illegible] people [illegible] workforce delivers better service quality, additional revenue opportunities and lower staff turnover. This means investment in recruiting, training and development as well as better employee engagement and wage [illegible]

[illegible] to deal with inflation and two thirds of our [illegible] contract [illegible] terms that allow us to [illegible] through [illegible] contracts [illegible] in the next [illegible] the unhedged exposure to inflation remains relatively small.

Strengthening our balance sheet and delivering positive free cash flow

Reducing debt

[illegible]

[illegible] operating cash flow on [illegible] This includes the Agito [illegible] 2021 was still loss making and [illegible] result of the impact of Covid

[illegible] 2021 we have launched [illegible] two further pillars [illegible] representing [illegible] revenue and £20m of profit [illegible]

[illegible] other [illegible] treated. As a result of our [illegible] and investment [illegible] scheme funding target is [illegible] than we expected. Some of [illegible] will be used to accelerate [illegible] so that we expect the [illegible] to be self-sufficient [illegible] review.

[illegible] property portfolio [illegible] the reduction in [illegible] 31 December 2021 [illegible] reduction in the year [illegible] expected to fall further as [illegible] renegotiate lease durations and [illegible] properties.

Targeting sustainable free cash flow[2]

[illegible] that we have completed the [illegible] targeting the delivery [illegible] sustainable free cash flow [illegible]

[illegible] targeted [illegible] balance sheet [illegible] our legacy transformational contracts roll off and we continue to improve our cash management processes.

Our adjusted free cash flow in 2021 reflected the unwind of 2020 cash preservation initiatives to protect the business from the impact of Covid-19 and reported free cash in the period reflected expenditure in the final year of the transformation and repayment of VAT deferral from 2020. These below the line commitments will substantially disappear in 2022.

Over the next couple of years, we also expect the pension deficit payments to reduce materially as the pension scheme transitions to self-sufficiency.

Our lease payments, net of receipts, are also expected to decrease in line with our property footprint, having already reduced from £9[illegible]m in 2020 to £8[illegible]m in 2021.

Outlook

Year ending 31 December 2022

In 2022 we expect to deliver revenue growth, positive sustainable free cash flow and to continue to strengthen the balance sheet.

Our revenue growth is built on strong contract performance in 2021, our order book, lower attrition, a growing pipeline of new business in both Public Service and Experience, as well as ongoing recovery from Covid-affected businesses.

Notwithstanding the margin benefit from revenue growth and the flow-through of the cost benefits from the divisional restructure implemented in 2021, we expect operating profit margins to reduce slightly in 2022. This reflects the full year impact of prior year contract losses and the structural decline in the closed book Life & Pensions in Experience, operational changes in the Army recruitment contract in Public Service, as well as the cost of recruiting and training staff to support our growth.

Next year we will include restructuring, pension deficit contribution and VAT payments within our adjusted free cash flow. With higher cash-backed profit and the significant decrease in the payments noted above, we expect to deliver positive sustainable adjusted free cash flow in 2022.

As we continue to make disposals, we expect net debt to decrease materially.

Medium term

Beyond 2022, we expect core Capita to continue to build on the platform we have established today.

We will target revenue growth at least in line with the mid single digit range of our core markets and deliver high single digit Group EBITDA margins. We expect to grow free cash flow as cash conversion increases to between 70% and 80% and additional cash commitments fall away.

We will maintain a prudent approach to our capital structure and will target a leverage ratio of around 1x net debt:EBITDA on a pre-IFRS 16 basis.

Jon Lewis
Chief Executive Officer

Public Service

Public Service is the number one strategic supplier of business process services (BPS) and technology services to the UK Government.

Adjusted revenue[1]

£1,410.4m

(2020: £1,273.0m) 10.8%

Adjusted operating profit[1]

£98.3m

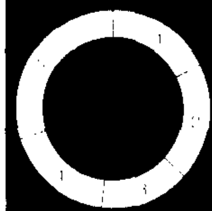
(2020: £12.9m) 662.0%

[illegible]

Adjusted revenue by type (%)

1 87% Long-term contractual
2 9% Short-term contractual
3 4% Transactional

Revenue by market (%)



1 18% Education & Learning
2 19% Local Public Services
3 15% Health & Welfare
4 18% Defence, Fire & Security
5 30% Justice, Central Government & Transport

Financial performance

Divisional financial summary	2021	2020	Change %
Adjusted revenue[1] (£m)	**1,410.4**	1,273.0	10.8
Adjusted operating profit[1] (£m)	**98.3**	12.9	662.0
Adjusted operating margin[1] (%)	**7.0**	1.0	
Adjusted EBITDA[1] (£m)	**148.3**	87.7	69.1
Adjusted cash generated from operations[1] (£m)	**120.0**	95.6	25.5
Order book (£m)	**3,286.3**	2,736.6	20.1

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

Employees
- 12,000

Client distribution
- UK

Major contract wins and renewals
- A new contract with the Royal Navy worth £925m over 12 years
- Scope expansion on the DFRP and Smart DCC contracts worth £127m
- A new contract for the JETS programme in Scotland worth £29m across two years
- A new 23-month contract worth £6m by the Department for Education to support students participating in the Turing Scheme

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

Our markets and growth drivers

Government spending in the UK with private sector providers is c. £10bn and it is estimated that the software and IT services market is valued at [illegible]bn. Our current [illegible] market [illegible] and [illegible] the BPS element of that [illegible] digital BPS [illegible]

[illegible] shifted quickly towards [illegible] enabled and [illegible] the UK Government is [illegible] looking to leverage technology [illegible] cloud and emerging capabilities.

[illegible] predictive and artificial intelligence for [illegible] process automation [illegible] are all being [illegible] service [illegible] transformation and [illegible] standardised [illegible] technology [illegible] tools and [illegible]

[illegible] that is heavily dependent [illegible] enabled transformation [illegible] digital BPS is growing at over 10% [illegible]

[illegible] market share of around [illegible] services (SITS) and [illegible] UK Government BPS [illegible]

Public Services competes against a number of providers across the spectrum of service that we provide, including Atos, Sopra Steria, CGI, TCS, Cognizant, Accenture, DXC Technology, BJSS, Cap Gemini, Kainos, Serco and Maximus.

Our strategy

Our strategy is to be a purpose-led, socially responsible business that uses applied digital transformation and BPS to improve the productivity of government operations and the citizen experience of public services.

Our near-term aim is to consolidate Public Services's position as market leader in UK public sector BPS through selectively addressing attractive opportunities in BPO (eg DFRP, PIP, RPP) and digital BPS (JETS, DIT – Department for International Trade).

The Public Service division is well positioned for growth, benefiting from its breadth of coverage, domain understanding, scale and sales and delivery capability in our respective verticals, each of which presents significant opportunity. This is already evident in our strong recent track record of contract wins, scope increases on our current contract base and high renewal rates.

Our digital capability includes design expertise, data maturity, a modern software engine and an automation toolkit that is integrated with technology partners such as Microsoft Azure where it makes sense to use them. We are building a standardised platform where we can use our process insight to present a digital first solution for our clients' needs. Recently we built our [illegible] solution on the [illegible], developing a platform that has been successfully integrated on a contract with the Department for International Trade and we believe there are a number of further applications for the product.

Investing in growth

Capita's strong competitive edge comes through our deep knowledge of the public sector and an ability to deliver complex service and technology transformation and integration projects.

[illegible]

Cost and operational excellence

[illegible]

We run the [illegible] programme in Scotland on behalf of the DWP. The programme sees us support people made unemployed by the pandemic into new roles. Since we started delivering the scheme in 202[illegible], we have helped over 4,000 people into new roles. We have done so by helping them develop the skills and confidence needed to apply for roles in sectors of the Scottish economy that are growing. Following our strong performance on this contract, the DWP awarded us with a contract extension which [illegible] to run the programme to [illegible]

Read more online at capita.com/our-work

Financial performance

Outlook

Experience

Experience is one of Western Europe's leading customer experience businesses. It is the market leader in the UK and *ranks third* in EMEA.

Adjusted revenue[1]

£1,184.7m

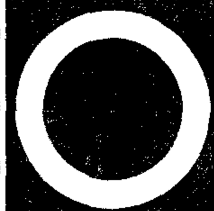
(2020: £1,307.7m) -9.4%

Adjusted operating profit[1]

£69.1m

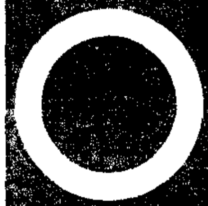
(2020: £80.9m) -14.6%

Adjusted revenue by type (%)



1 75% Long-term contractual
2 20% Short-term contractual
3 5% Transactional

Secondary revenue split (%)



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

Financial performance

Divisional financial summary	2021	2020	Change
Adjusted revenue[1] (£m)	1,184.7	1,307.7	(9.4)
Adjusted operating profit[1] (£m)	69.1	80.9	(14.6)
Adjusted operating margin[1] (%)	5.8	6.2	
Adjusted EBITDA[1] (£m)	141.5	142.2	(0.5)
Adjusted cash generated from operations[1] (£m)	55.8	145.0	[illegible]
Order book (£m)	2,271.8	2,428.7	(6.5)

[illegible] units
[illegible] Media & Technology
[illegible]
[illegible] Services

[illegible]
- [illegible]

[illegible]distribution
- UK, Ireland, Germany and Switzerland

[illegible] contract wins and renewals
- An extension for up to seven years for a [illegible] major European [illegible]communications client with TCV of £528m
- A three-year renewal worth £58m with our [illegible] Tesco Mobile client
- [illegible] a FinTech client to provide [illegible] customer service across 15 [illegible] worth £9m
- [illegible] renewal with the RSPCA building on our 17-year partnership

[illegible]
- [illegible]
- [illegible]
- [illegible]
- [illegible]
- [illegible]
- T-Tech
- Sykes Enterprises
- Firstsource
- Majorel
- In-sourcing trend

Our markets and growth drivers

[illegible] experience market is [illegible] between [illegible] of the [illegible] market is currently [illegible] technology and [illegible] Growth opportunities [illegible] with further [illegible] markets and [illegible] we serve.

[illegible] customer [illegible] in the UK and Ireland [illegible]

[illegible] experience [illegible] Webhelp [illegible]

[illegible] accelerated the rise in [illegible] towards self-service [illegible] in turn drove our [illegible] to further digitise service [illegible] commit to the structural [illegible] working remotely.

Our strategy

Our experience in delivering customer experience services in certain industries and geographies gives us the ability to understand our clients' challenges and put together solutions based on our technology, insight and digital platforms.

During the year we restructured Experience around [illegible] and [illegible] the [illegible] client centricity [illegible] offering [illegible] our revenue opportunity. We have a new leadership team in the vertical with significant experience in these markets, improving our sales and marketing strategy and granularity of client offerings.

We deliver our services on both an on-shore and near-shore basis, with delivery centres in the UK, [illegible], the Middle East, India and South Africa. This gives us access to specific skills and expertise such as in languages, or IT skills that can be delivered 24 hours a day at a competitive rate to our clients. Significant leverage is available from this cost base as we grow our revenues.

Our ambition is to provide best-in-class services within an advanced toolkit of services which can be tailored to client needs. This will use both in-house and third-party technology, such as the assisted customer conversation and augmented conversation technology which is now utilised on a variety of contracts. Partnering with AWS, we have also developed a natural language platform, which improves tailored customer experiences and reduces call handling times.

We are also focused on resolving the structural challenges facing the closed book [illegible] which has declining revenue in a few long-duration legacy contracts on a high cost platform. To mitigate the impact we are focusing on service modernisation and identifying efficiencies in our provision of services. The unit had revenues in 2021 of £199m, adjusted profit before tax of [illegible] and negative free cash flow of £[illegible]. We continue to focus on our regulated businesses and growth areas in insurance, finance, pensions and mortgages.

Investing in growth

Cost and operational excellence

Financial performance

Outlook

As we have previously highlighted the [illegible]

[illegible] our more [illegible] business model. We are also [illegible] markets.

[illegible] further [illegible]

Portfolio

Portfolio comprises all our non-core businesses that are intended for disposal. This includes assets from our historical Specialist Service division, as well as businesses transferred from other divisions in our previous divisional structure.

Adjusted revenue[1]

£413.4m

(2020: £414.8m) -0.3%

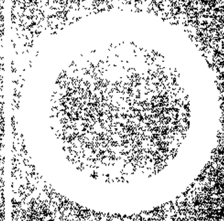
Adjusted operating profit[1]

£23.8m

(2020: £14.2m) 67.6%

Our markets and growth drivers

Our strategy



[illegible] Property [illegible] Solutions [illegible] venture

[illegible] we successfully completed the [illegible] Capita Life & Pensions [illegible] AXELOS. We also announced the [illegible] Secure Solutions and [illegible] Specialty Insurance [illegible] SSS and [illegible] early in the new year.

[illegible] the year end, we agreed the sale [illegible] the business [illegible] proceeds of [illegible] the disposals [illegible] Combined, these two [illegible] generated £188m of revenue and [illegible] before tax (before allocation of [illegible] in 2021.

[illegible] the remaining businesses [illegible] disposed of in 2022 [illegible] recovery and general [illegible]

Cost and operational excellence

[illegible] businesses [illegible] excellent service [illegible] the ongoing impact of the pandemic on a number of pillars within the division. As a result, the division's eNPS improved for the third consecutive year.

In [illegible] which [illegible] faced challenging market conditions, we undertook work to position the businesses better for new market conditions. Within Agiito (our rebranded travel & events business), we focused on the efficiency of the long term operating model and in Enforcement we supported clients to clear backlogs which built up in the pandemic to ensure focus on future volumes and local council need.

We continued with our successful cost saving programme [illegible] reduction in the year.

Financial performance

Adjusted revenue decreased slightly by 0.3% to £413.4m. While some businesses saw revenue improvement with markets recovering from the impact of Covid, including Capita Resourcing and our Technology businesses, this did not offset the impact of significant projects ending. Some markets continued to be severely impacted by Covid, with recovery slower than anticipated. This particularly affected our travel businesses, Agiito and Evolvi, as well as Enforcement and Optima, our reporting [illegible] business.

Adjusted operating profit increased by [illegible] to £23.8m as the revenue margin mix improved. Actions taken in 2020 to right size the division and benefits from successful cost-saving initiatives continue to drive profit.

Adjusted cash generated from operations decreased by [illegible] to £[illegible]m, mainly due to the unwind of 2020 events as volumes increased and the working capital benefit in the prior year from volume reductions and cash preservation reversed.

Outlook

High single digit revenue growth is expected, particularly supported by recovery in the Covid-affected businesses, based on assumptions of no further lockdowns.

We expect profit improvement to reflect the increase in revenue and to see the benefit of high operational leverage fall through to profit.

This outlook is based on the proforma scope of the division at year end.

Strengthening the balance sheet

"We have already exceeded the target we set of £700m in total disposal proceeds to be delivered by June 2022."

Summary of financial performance

	[illegible]	[illegible]	[illegible]	[illegible]	Adjusted	Adjusted
	[illegible]	[illegible]	[illegible]	£3,008.5m	[illegible]	[illegible]
	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Overview

[illegible] a platform for revenue growth [illegible] opportunities for savings from [illegible] and a leaner Group [illegible] is expected to drive a [illegible] mix and further efficiency

[illegible] December 2021 was [illegible] of the undrawn [illegible] revolving credit [illegible] unrestricted cash [illegible] overdrafts. The [illegible] RCF [illegible] 31 August 2022 and [illegible] entered into a new £300m RCF [illegible] from 31 August 2022 to [illegible] The two RCFs incorporate [illegible] available [illegible] reduced [illegible] from future [illegible] for details refer to the [illegible] management section

[illegible] of the [illegible] Assurance Scheme [illegible] during the year [illegible] for funding purposes of [illegible] expected to be recovered [illegible] contributions of £105m [illegible] the regular pension [illegible] paid in 2021. The [illegible] liabilities for funding [illegible] valuation for accounting [illegible] of the different [illegible] for funding and [illegible] At 31 December 2021 [illegible] surplus for [illegible] on an accounting [illegible] which has been [illegible] balance sheet as at

Adjusted revenue[1] bridge by key driver

	£m
Year ended 31 December 2020	[illegible]
One-offs in 2020	[illegible]
Year ended 31 December 2020 rebased	[illegible]
Contract losses	[illegible]
Ongoing contracts [illegible] volume [illegible]	[illegible]
Transactional revenue growth	[illegible]
Contract wins	139.1
One-offs in 2021	34.2
Year ended 31 December 2021	**3,008.5**

1 Excludes DWP PIP [illegible]

that date. Management estimates that at 31 December 2021 [illegible] the Scheme [illegible] the 2020 [illegible] valuation was [illegible] £40m [illegible]. The Trustee of the Scheme has also agreed a more prudent secondary funding target which will enable the Scheme to reduce its reliance on the covenant of the Group. On this basis, at 31 December 2021 the funding level was around 91% for a net liability of £165m, which is expected to be met by a mixture of the remaining deficit contributions of £105m and asset outperformance.

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 2020 comparatives have been re-presented to exclude 2021 business exits. As at 31 December 2021, the following businesses met the threshold and were classified as business exits and therefore excluded from adjusted results in both 2021

Adjusted revenue

Order book

Adjusted profit before tax

Adjusted profit before tax[1] bridge by key driver

	£m
Year ended 31 December 2020	5.4
[illegible]	[illegible]
Year ended 31 December 2020 rebased	29.3
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]
Year ended 31 December 2021	93.5

Adjusted operating profit to adjusted free cash flow[1]

	2021 £m	2020 £m
Adjusted operating profit[1]	139.1	[illegible]
Add: depreciation, amortisation and impairment property, plant and equipment and intangible assets	156.0	[illegible]
Adjusted EBITDA[1]	295.1	[illegible]
[illegible]	(123.5)	[illegible]
[illegible]	13.8	[illegible]
Adjusted cash generated from operations[1]	185.4	[illegible]
Net capital expenditure	(51.3)	[illegible]
[illegible]	(56.0)	[illegible]
Adjusted free cash flow[1]	78.1	[illegible]

[illegible] have been excluded from [illegible] due to their materiality, and are detailed in the reported results section.

Adjusted free cash flow

[illegible] flow in the year ended [illegible] was an inflow of [illegible] 8m [illegible] The decrease [illegible] compared [illegible] generated [illegible]

[illegible] in adjusted [illegible] explained above, offset by [illegible] capital outflow compared [illegible] 2020. In 2020, the Group's [illegible] shorter public sector [illegible] of the Covid-19 [illegible] payments from a small [illegible] December 2020 [illegible] impacted by the [illegible] together [illegible] working capital [illegible] growth.

[illegible] year on year [illegible] 2021 completion of a number [illegible] related projects.

Reported results

Adjusted to reported profit

[illegible] understanding of our [illegible] adjusted operating [illegible] before tax exclude a [illegible] significant [illegible] and impairment [illegible] goodwill, and [illegible]

Adjusted¹ to reported profit bridge

	Operating profit/(loss)		Profit/(loss) before tax	
	2021 £m	2020 £m	2021 £m	2020 £m
Adjusted¹	139.1	[illegible]	93.5	[illegible]
[illegible] acquired intangibles	(12.0)	[illegible]	(12.0)	[illegible]
[illegible]	(11.5)		(11.5)	
[illegible]	9.3	[illegible]	9.3	[illegible]
[illegible]	—		(1.4)	[illegible]
[illegible]	(20.1)	[illegible]	399.1	[illegible]
[illegible] disposal costs	—		—	[illegible]
[illegible]	(43.1)		(43.1)	
Significant restructuring	(148.3)	(109.0)	(148.3)	(109.0)
Reported	[illegible]	[illegible]	285.6	[illegible]

Impairment of goodwill

Following the corporate reorganisation in the second half of 2021, the Group reviewed the historic [illegible] of cash generating units (CGUs) and the allocation of goodwill. Reflecting the way management now exercises oversight and monitors the Group's performance, the Board concluded that the lowest level at which goodwill is monitored is at the divisional level for Public Service and Experience, and at a sub-divisional level for Portfolio, and goodwill has been reallocated to these new CGUs or groups of CGUs as appropriate. At 31 December 2021, the [illegible] impairment of goodwill in the Travel CGU within the Portfolio division as the travel industry continues to be impacted by Covid-19, which is reflected in the projected near-term cash flows, as well as the increase in comparable companies' discount rates.

Business exits

[illegible] businesses in the Portfolio division [illegible] and [illegible] professional fees [illegible] planning costs [illegible] disposals for which [illegible] criteria [illegible] December 2021.

[illegible] excluded from [illegible] adjusted results [illegible] have been restated [illegible] exits.

[illegible] strategy [illegible] disposal were [illegible] January 2022 refer to note [illegible] Statements.

Significant restructuring

[illegible]

investment in automation. These activities were designed to improve the cost competitiveness of the Group and secure Capita's position in the markets it serves, and strengthen governance and control.

The transformation programme included a planned improvement of the Group's financial reporting systems. New financial systems were due to be [illegible] in the second half of 2019 and, while [illegible] was tested, [illegible] to defer the go-live because more work was required on the underlying processes and procedures before the system could be effectively implemented. Several interim activities were progressed during both 2020 and 2021 and the technical aspects including the IT infrastructure, software and related areas were progressed.

The new system was deemed necessary to provide effective functionality because the then [illegible] supported by the central functions [illegible] entity. [illegible] to invest in new financial reporting systems was predicated on the fact that the Group's existing ERP platform would not be supported by the relevant supplier beyond 2025.

During 2021, the Group simplified its divisional and management [illegible] structure [illegible] streamline the legal entity structure of the Group. As a result, the Board [illegible] because of the [illegible]. The [illegible] that the Group's existing ERP platform will be supported until at least 2030.

These developments allowed management to reconsider the technical imperative to move to a new ERP platform and to assess the extent to which the Group would be better served by continuing to use its existing platform. It has been made clear that it is feasible to use the existing platform and, in doing so, avoid the disruption, additional cost and risk of a transition to a new platform. The simplified operating model makes possible a continuation of the system already available with more limited investment to achieve the required functionalities that will deliver the project objectives of *standardisation, automation* and improved quality of information.

Therefore, the Board approved a revised approach at the end of 2021 to focus on optimising the existing financial reporting systems and not migrate to an entirely new finance system. As such, an impairment of [illegible] December 2021 [illegible] the book value of the elements of the new finance system which are no longer expected to be utilised.

The Group has continued to invest in shared service centres and offshoring, and in making *improvements to the Group's existing reporting* systems, processes and controls. Further [illegible] are planned for 2022 that will take into consideration the Government's [illegible] the UK Corporate Governance [illegible].

The costs of the transformation programme including redundancy costs are excluded from adjusted operating profit as significant restructuring. 2021 is the final year of major

Contract-related provisions and impairments

[illegible] ... have ... [illegible] ... applied to suppliers ... [illegible] ... digital platform for all ... [illegible] ... brought to ... [illegible] ... this roll-off in volumes ... [illegible] ... who have selected ... [illegible] ... taken the activities ... [illegible]

[illegible] ... contractual dynamics ... [illegible] ... conditions to service these ... [illegible] ... has been required to ... [illegible] ... the remaining ... [illegible] ... experience of ... [illegible] ... progressing the ... [illegible] ... management ... [illegible] ... the best estimate ... [illegible] ... The contingent ... [illegible] ... that should the ... [illegible] ... for longer this ... [illegible] ... reduction or increase in ... [illegible]

[illegible] ... contract ... [illegible] ... the transfer of ... [illegible] ... This ... [illegible] ... than initially expected ... [illegible] ... the lifetime ... [illegible] ... the second and likely ... [illegible] ... handover of services ... [illegible] ... extended across all ... [illegible] ... evergreen clauses ... [illegible] ... where there are ongoing ... [illegible] ... termination or ... [illegible] ... reassessment ... [illegible] ... in the latter half of ... [illegible] ... contracts to extend out ... [illegible] ... increase to the

contract provision and impairment of contract assets totalling £43.1m which has been reported as an adjusting item (see note 2.4 to the consolidated financial statements). In prior years the financial impacts of such contract judgements have not been shown as adjusting items because they were considered to be normal course of business, not material in the context of the Group's results and not associated with the transformation plan. However, due to the quantum of the charge arising from the 2021 reassessment, the Board considered it appropriate to separately disclose this as an adjusting item to highlight the impact on the results in the period.

Further detail of the specific items charged in arriving at reported operating profit for 2021 is provided in note 2.4 to the consolidated financial statements.

Adjusted to reported free cash flow

	2021 £m	2020 £m
Adjusted[1]	78.1	[illegible]
Pension deficit contributions	(155.5)	[illegible]
Significant restructuring	(68.6)	(64.1)
Litigation and claims	(18.5)	
Business [illegible]	41.2	102.2
Business exit [illegible] disposal costs	—	[illegible]
Non-recourse trade receivables financing	(9.7)	13.[illegible]
VAT deferral	(104.1)	118.6
Reported	[illegible]	[illegible]

Adjusted to reported free cash flow

Reported free cash flow was lower than adjusted free cash flow, principally reflecting pension deficit contributions (which the Directors consider to be debt-like in nature) and the cash costs of the significant restructuring programme, partially offset by cash inflows on business [illegible].

In addition, in both 2021 and 2020, the benefit from the Covid-19 related Government VAT deferral measures and utilisation of a non-recourse trade receivables financing facility were also excluded from adjusted free cash flow. The VAT deferral benefit was largely reversed during 2021. The non-recourse trade receivables financing facility was put in place in the early stage of the Covid-19 pandemic to mitigate the risk of customer receipts slippage

Cash flow headwinds

Impact on net debt

[illegible] The reduction [illegible] reflects the proceeds from [illegible] disposals.

[illegible] following the completion [illegible] we will [illegible] headline leverage [illegible] headline net [illegible]

[illegible] covenant [illegible] US private [illegible] and other financing [illegible] in the APM appendix [illegible] financial statements.

[illegible] private [illegible] agreements [illegible] compared with [illegible]

[illegible] for the US private [illegible] times for other [illegible] 31 December 2020 [illegible] respectively compared [illegible] 4.0 times for [illegible]

[illegible]

Cash flow headwinds

	Actual 2021 £m	Forecast 2022 £m
VAT deferral	104.1	[illegible]
Pension deficit contributions	155.5	[illegible]
Below the line restructuring	68.6	
Total	328.2	[illegible]

Net debt

	2021 £m	2020 £m
Opening net debt	(1,077.1)	[illegible]
[illegible]	208.5	[illegible]
Non-cash movements	(11.2)	[illegible]
Closing net debt	(879.8)	[illegible]
Remove closing IFRS 16 impact	448.4	[illegible]
Headline net debt (pre-IFRS 16)	(431.4)	[illegible]
[illegible]	101.5	141.1
Debt net of swaps	(532.9)	(710.1)
Headline net debt (pre-IFRS 16) / adjusted EBITDA	1.7x	[illegible]
Headline net debt (post-IFRS 16) / adjusted EBITDA	2.7x	[illegible]

Liquidity

	2021 £m	2020 £m
RCF	385.7	[illegible]
Bilateral liquidity facilities	-	150.0
Less drawn on facilities	(40.0)	
Undrawn committed facilities	345.7	[illegible]
Net cash and cash equivalents net of overdrafts	101.5	141.1
Less restricted cash	(54.8)	[illegible]
Liquidity	392.4	[illegible]

[illegible] of the impact [illegible] recourse [illegible] facility was executed [illegible] over the facility at [illegible] 31 December [illegible]

[illegible] the Group had £101.5m [illegible] net of overdrafts, [illegible] placement loan notes [illegible] and Schuldschein loan [illegible] maturity over the period [illegible] £217.7m and £66.3m [illegible] respectively. The 2024 and [illegible] expected to be funded [illegible] facilities, cash [illegible] from the proceeds [illegible] development [illegible] to obtain new [illegible] which will [illegible] with time [illegible] term debt solution [illegible] moment.

[illegible] the Group executed with one [illegible] a committed backstop [illegible] facility [illegible] 70m of [illegible] corporate provisions [illegible] will partially [illegible] of [illegible] on the [illegible] of [illegible] facility is an [illegible] with an option [illegible] one year extension [illegible] covenants which are [illegible]

Going concern assumption

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.

In carrying out the going concern assessment the Board has recognised that, in a severe but plausible downside scenario, the mitigants to the possibility of insufficient liquidity in the going concern assessment period will require third party agreements and approvals which represent events that are outside the direct control of the Company. Accordingly, there are material uncertainties, applicable to going concern assessments (as defined in auditing and accounting standards), related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern.

Nevertheless, reflecting the Board's confidence in the benefits expected from completion of the transformation programme and execution of the approved disposal programme coupled with the potential to obtain further financing beyond its existing committed funding facilities, 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.

Viability assessment

Pensions

[illegible] particularly the [illegible] available [illegible] the [illegible] derive [illegible] higher than expected [illegible] returns [illegible] partly offset by [illegible] the year with actual inflation [illegible] than expected.

[illegible] actuarial valuation [illegible] accounting [illegible] these actuarial [illegible] assumption [illegible] the different [illegible] valuation [illegible] at 31 December [illegible] of a funding [illegible] funding plan principles [illegible] the full actuarial valuation at [illegible] adjusted for market conditions at [illegible] approximately £40m [illegible]

Consolidated balance sheet

At 31 December 2021 the consolidated net assets were [illegible] (2020: net liabilities [illegible]).

The movement from net liabilities to net assets is predominantly driven by the expiry of the put option to acquire the non-controlling interest in AXELOS, the Group's joint venture with the UK Government, and the gains realised on the disposal of [illegible] and AXELOS in the year.

Parent Company balance sheet

The Company's market capitalisation was significantly less than the net assets of the Parent Company at 31 December 2021 and the [illegible] might [illegible] and other assets in the Parent Company's 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 over a long term view using a discounted cash flow as the basis of impairment [illegible] accounting [illegible] view and the multiples [illegible] that the [illegible] value [illegible] with [illegible] the liquidity profile and specific risks of an entity. Management's estimate of the value in use of the Group assets in the testing of goodwill and intangibles for impairment at 31 December 2021 gave a value for the Group that exceeded the market capitalisation and [illegible] supported the Parent Company [illegible] of

An impairment review was performed at 31 December 2021 in respect of the Parent Company's investment in subsidiaries and amounts owed by subsidiary undertakings. No material impairments were identified in respect of the Parent Company's investments in subsidiaries and an impairment of [illegible] was recognised in respect of amounts owed by subsidiaries.

Putting our people first

Like so many other businesses, we have continued to be challenged by the effects of Covid-19, while making sure that the health, safety and wellbeing of our colleagues is our number one priority.

[illegible] strategy and worked to provide [illegible] support and guidance to our [illegible] across the organisation.

[illegible] changes also mean [illegible] important that we [illegible] what our colleagues are [illegible].

[illegible] survey every year [illegible] engaged our [illegible] data and [illegible] how [illegible] they think about [illegible].

[illegible] results showed teams and [illegible] doing a great job. Trust levels are [illegible] regular discussions [illegible] colleagues feel that [illegible] about their wellbeing [illegible] to their full potential [illegible] manager [illegible].

[illegible] the success of our [illegible] new ways of working and

our virtual first approach, with 90% of colleagues agreeing that their manager is supportive of flexible or hybrid working.

The results also show we are making great progress in building a more diverse and inclusive workplace, with 81% of respondents reporting I can be myself at work, 88% saying that their manager has taken or would take action against any form of discrimination, and 87% confirming they feel safe at work. These results reflect the hard work delivered across the organisation to improve diversity and inclusion and to make it a more honest, open and safe place to work.

However, despite many positive results in the survey, we have seen a decline in our overall engagement figures, with a 2[illegible]-point negative swing in our employee net promoter score. There are also additional areas where it is clear according to the feedback we are falling short.

As a result, we have introduced a new employee listening tool with a renewed focus on action plans, engaged with leadership teams across the business to further consult and listen to our colleagues, and agreed a range of next steps to address key areas of concern throughout 2022.

HR operations

We also faced a different set of challenges, amid the most competitive recruitment market in a generation. We are focusing on recruiting – how we recruit and retain the best talent while refining our employee value proposition (EVP), and standing out among the crowd has never been more important.

[illegible] the key element of our [illegible]. We continue to work on [illegible] Academy and [illegible]. Socially [illegible]

[illegible] around 3,700 [illegible] predominantly [illegible] redundancies [illegible] changes as part [illegible] and a cautious approach [illegible] turnover was 30 [illegible]

Continuing to focus on the health, safety and wellbeing of all colleagues

[illegible] safety and wellbeing of [illegible] remained our number [illegible]. As part of our [illegible] all health [illegible] have come together into one [illegible] under the leadership of [illegible] Medical Officer. These health [illegible] health, safety and the [illegible] clinical [illegible] health.

[illegible] standards [illegible] units, it [illegible] with [illegible] team of [illegible] Partners [illegible] to drive our [illegible] colleagues and deliver [illegible]

In 2021 we also conducted a review of the occupational health provision for all our UK colleagues, resulting in the appointment of a new occupational health provider, Health Partners. They will work closely with us to deliver occupational health and wellbeing programmes that align directly with our Global Health Strategy. Alongside this, we continue to provide occupational health support in all our global locations, through targeted approaches such as insurance plans and employee assistance programmes.

In our HSE, safeguarding and wellbeing function, we undertook a formal external legal review of our requirements. We released new policy statements in most functions, along with new Group standards, setting out in detail the requirements for training and processes for all colleagues at every level of the business. We continue to engage closely with divisional and business unit leads to ensure that we comply with these standards and meet our legislative requirements. We developed wellbeing initiatives to support all our global colleagues, including targeted programmes of events for World Mental Health Day and World Menopause Day.

We continued our work to protect all colleagues in our care at [illegible]. Our multidisciplinary approach [illegible] we led by [illegible] culture team, and involved [illegible] health and [illegible] from our [illegible] HR, property and facilities and resilience teams. It is delivered by our colleagues in the frontline business units.

Overall, we have taken a proactive approach to protecting colleagues and our clients, carefully balancing the needs of colleague safety with service delivery and commercial growth, but always ensuring our people's wellbeing remains our number one priority. Capita [illegible] government guidelines in all countries in which we operate. We received positive feedback about our work in this area from colleagues, partners and customers.

Our plans for 2022 include: continuing to develop and embed new policies and standards within the divisions and business units; driving assurance programmes around these 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 all employees.

Performance and development

We will continue to define, communicate and execute Capita's performance and development strategy to maximise our employees' potential through skills development and progression. This will be underpinned by our career pathways framework, which we commenced mapping during 2021. We provide a global academy approach to learning that gives individuals access to development, delivers the business [illegible] and [illegible] growth in individuals and the business.

Capita Academy

[illegible] learning institute [illegible] with colleagues [illegible] resources across Capita [illegible] to build a solid resource bank [illegible] the Academy, which provides colleagues [illegible] learning and supports [illegible]. We introduced [illegible] courses based [illegible] project [illegible]. We [illegible] population

by offering [illegible] programme in partnership with Better Up that provided valuable support for 100 key colleagues.

We supported many wellbeing initiatives offering digital modules including ones on social distancing and working remotely. In addition, specialist speakers provided practical tools and techniques for personal wellbeing. We invested in our content development including a focus on anti-racism, licence to hire, global induction rebuild and personal profiling workshops. We also shared our approach to wellbeing and other materials with clients and families, supporting our wider community.

Looking forward, we will continue to focus on 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 66 different professional development programmes across the UK and [illegible] colleagues enrolled on one of our levy funded programmes in 2021, taking our on programme learners up to 1,400. We are proud of our success to date which includes:

- Being nominated for Apprenticeship Programme of the Year at the Learning Awards
- £7.5m of our apprenticeship levy spent since the Academy started
- Line management upskilling using Advance and Accelerate programmes for [illegible] 10 managers
- Capita in India was recognised as a Great Place to Work, with all 15 people practices individually certified

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

Youth employability

We recognise that young people have been disproportionately affected by the pandemic and that those who are most disadvantaged remain furthest from the workforce, despite the recent bounceback in the jobs market. Those who are most affected include people who are Black, from minority ethnic backgrounds, disabled, from disadvantaged socioeconomic backgrounds, and those with caring responsibilities. We have not only increased the number of opportunities available to young people, but also actively sought to attract, educate and employ young people from these groups.

Capita was one of the first organisations to sign up to the UK Government's Kickstart Scheme. From the start of 2021 to date, we have offered 5[illegible] Kickstart placements, with the majority being delivered virtually. [illegible] of our Kickstarters have secured a permanent role in Capita after the programme.

Developing colleagues' potential

[illegible]

Supporting future leaders

[illegible]

[illegible] high potential women and individuals [illegible] under-represented groups [illegible] company mentoring [illegible] 2021 [illegible] colleagues were [illegible]. We are [illegible] the [illegible] Ahead [illegible] 2021.

Reward

[illegible] the lowest [illegible] Real Living Wage [illegible] consistency across the business [illegible].

[illegible] of the [illegible] in 2020, our [illegible] 2021 was [illegible].

[illegible] to make the [illegible] for salary [illegible].

[illegible] remuneration policy [illegible] consultation with [illegible] remuneration policy. We [illegible] of the [illegible] for more details.

Resourcing

The effect of the pandemic on employment has been more profound and long lasting than the initial effects experienced in 2020, such as job retention schemes, furloughs and issues of unemployment.

The impact of Covid-19 has created what looks to be a permanent change in peoples' perspective on employment and their work-life balance significantly. [illegible] employees [illegible] to position themselves in the external market. This has been compounded by skills shortages in many sectors [illegible]. The need to stand out among the crowd with a compelling EVP has never been more important, particularly across digital platforms.

Hiring demand across Capita in 2021 exceeded pre-pandemic levels and continued to follow the trends seen in the external market, driven by the great resignation phenomenon. In the UK, around [illegible] people started their careers with Capita in [illegible] hiring and across all our operating geographies, the total number of hires was more than 19,400, with South Africa and India accounting for [illegible] and [illegible] of all hires respectively. Pleasingly, the work that started in 2019 to move away from a dependency on employment agency supply to a new direct delivery hiring model powered by our own shared services team in Mumbai continued to deliver genuine value to the business. The requirement to use third-party recruitment agencies reduced for a second consecutive year from [illegible] in 2020 to [illegible] in 2021, with a corresponding increase in direct delivery from [illegible] in 2020 to [illegible] in 2021. Notably, roles placed with agencies also continue to be directly sourced by the internal team and, by taking this action, more than £1m in agency fees was saved. This trend is consistent with the overall market but is one to watch in 2022 as this could affect our ability to retain top talent.

Systems and transformation

In 2021 we [illegible] the transformation of the business, [illegible] HR systems to [illegible] the new structure being put in place.

We moved all employee benefits to a new benefits platform, expanding the benefits offering and providing a better user experience for employees, following the disposal of our employee benefits business. As a result of that disposal, Capita Atlas pensions platform also went live in September 2021, receiving positive feedback from employees across Capita.

We launched an HR chatbot, Hettie, at the beginning of 2021 which helps with common transactions and queries from employees. Given the success experienced with Hettie's engagement, we plan to make it available via

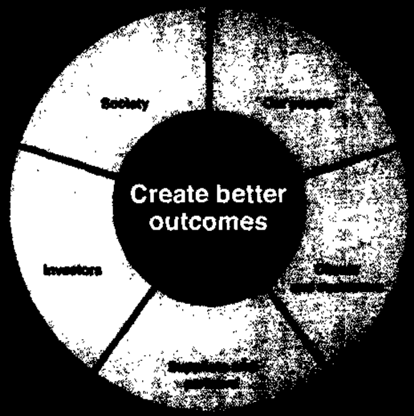
Property portfolio

[illegible] in our locations as [illegible] flexible and better equipped [illegible] colleagues with improved [illegible] implement our ways of working [illegible] together both face to [illegible] collaborate and to meet with [illegible] support the [illegible] we [illegible] more than 5,000 items of furniture [illegible] from the sites we have closed.

[illegible] are still being used [illegible] and for colleagues to [illegible] collaborative working. We are [illegible] they will be used [illegible] people only travel when they [illegible] ambitious [illegible] corporate travel [illegible] the end of the decade [illegible] all parts of the business.

[illegible] business [illegible]. We have also donated more than [illegible] of furniture to more than 30 schools [illegible] of office chairs and filing [illegible] donated to the NHS.

Engaging with our stakeholders



Why they are important

What matters to them

How we engaged

Topics of engagement

Outcomes and actions

Risks to stakeholder relationship

Key metrics

Further details

Why they are important

What matters to them

How we engaged

Topics of engagement

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What matters to them

How we engaged

Topics of engagement

Outcomes and actions

Risks to stakeholder relationship

Key metrics

Further details

Focusing on what matters

Our five-year responsible business strategy ensures we remain focused on addressing the issues where we can have the biggest impact through our own operations and through the products and services we provide to our clients.

Engaging with our colleagues

Building an inclusive workplace

	People	Community	[illegible]	[illegible]
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 2023. • Equipping 10,000 people in our communities with the digital skills required for today's world by 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 United Nations' Sustainable Development Goals	3 8 5 10	4 8	13 [illegible]	8 12

- Introducing a new survey system to allow for analysis by demographics. We are now able to work with each of our employee network [illegible] results relevant to their [illegible]
- [illegible] Capital [illegible]
- [illegible] programme of socially [illegible]
- [illegible] young people [illegible]
- Developed a suite of teaching materials [illegible] to support [illegible] able to access [illegible]
- [illegible] to provide real [illegible]
- [illegible] experience [illegible] excluded [illegible] with Making [illegible]

Our focus on racial diversity

[illegible] our [illegible] focus on [illegible] colleagues and [illegible] colleagues. This is in line [illegible] developed in [illegible]

[illegible] with [illegible]

[illegible] representation of ethnic [illegible] reflects the communities we [illegible] of the workplace

Employee gender diversity at 31 December 2021

3. Educate about and raise awareness of racism in the workplace through the power of our networks.

Key activities in 2021 included:

- Introducing a zero tolerance procedure and supporting policy related to anti-racism and anti-discrimination
- More than 31,300 colleagues completed our tailored in-house anti-racism training
- More than 250 people participated in our bespoke mutual mentoring programme connecting senior leaders with colleagues from a racially diverse background, where they follow a 10-month programme to develop better understanding of race-related challenges
- More than 100 colleagues expanded their horizons by participating in one of three external mentoring programmes supporting female and minority ethnic colleagues
- Selecting candidates to take part in the pilot of RISE – our new inclusive leadership programme aimed at unlocking leadership opportunities for racially diverse colleagues in the UK
- Signing up to the 10,000 Black Interns programme, with our first cohort joining us in 2022
- Sponsoring Black [illegible]
- Sharing our ethnicity pay gap data for the first time
- Continuing to work with our Black Lives Matter advisory group to deliver a programme of action to create a more equitable and inclusive workplace for our Black employees

Supporting our colleagues with a disability

[illegible]

Turning the dial on gender

[illegible] gender [illegible] challenging [illegible] it will continue [illegible] in 2022 and beyond [illegible] that four of our nine [illegible] members are women at [illegible] two of our three [illegible] appointed Chief [illegible] we have more [illegible]

[illegible] 2021 and [illegible]

[illegible] for women [illegible]

[illegible] development through our [illegible] high potential scheme including [illegible] mentoring programmes,

[illegible] flexible work in [illegible] leadership roles accessible [illegible]

[illegible] throughout the [illegible] to hire [illegible] for all [illegible] as well as [illegible] assessment that [illegible] the early stages of [illegible]

- Mapping our career path framework across the full organisation in order to identify and share career path opportunities for our people and also identify gender ratios at comparable job levels across the organisation
- Working with our gender employee network group to analyse 2021 survey results and develop a targeted action plan for 2022

Tackling economic inequalities

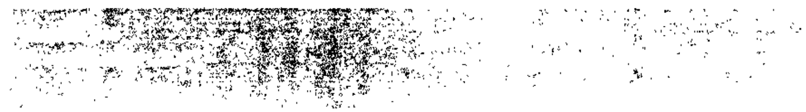
The Covid-19 pandemic highlighted the importance of [illegible] continuing support to our local communities. Research has shown that it is the young, the disadvantaged who have borne the brunt of the consequences of the crisis, from significant educational disruption through to the highest levels of job insecurity, furlough and unemployment. Throughout 2021 we maintained our focus on equipping young people with the skills they need for the workplace and enhancing social mobility and we invested more than £910,000 in charitable causes, particularly in our local communities through charitable donations, volunteering, gifts in kind and employee fundraising.

We continued to support our corporate charity partners, [illegible] and Young Enterprise, as they adapted their programmes to provide online support to young people improving their employability skills. In support of Young Enterprise, we sponsored the Young Money challenge, which challenged young people aged [illegible] to think about responsible consumerism and how their spending choices impact on the planet. We also sponsored the UK Social Mobility Awards for the fifth year running.

Enhancing our response to the issue of youth skills and employment, our youth employability programme continued apace, working with The Youth Group charity to support young people in education and as they enter the workplace.

The programme will build on the success of our charitable partnerships and fully embraces the UK Government's Kickstart programme, providing 16 to 24 year olds with a six month work placement which could lead to permanent position.

Since October 2020 we have worked closely with the UK Department for Work and Pensions (DWP) and The Youth Group to deliver a highly commended Kickstart programme for Capita. In 2021 we offered [illegible] placements, with most being delivered virtually. A diverse group of young people started their placements and we are pleased that many have been retained by the business or gone into full time education.



[illegible] saw the launch of [illegible] programmes [illegible] apprentices, studying [illegible] apprenticeship in Digital and Technology [illegible] offering rotations across [illegible] placements within [illegible] Data and People [illegible]

[illegible] within our [illegible] supporting [illegible] Apprentice [illegible] with our [illegible] deliver [illegible] [illegible] specifically [illegible] professional [illegible]

Digital inclusion

We worked in 2021 with Good Things [illegible] charity to [illegible] England based [illegible] tackle digital inequality [illegible] highlighted the [illegible] the [illegible] and the skills [illegible]

[illegible] with several [illegible] to help them [illegible] digital inclusion [illegible] strategies [illegible] ability. We also [illegible] partners [illegible] to learn [illegible] climate

Research [illegible] adult [illegible] in the UK are digitally excluded and, while this is an improvement on 2020 [illegible] it still left many in loneliness and lacking support networks at a time when so much of people's lives has had to be lived online. Capita colleagues volunteered their time during the year to take part in *Business in the Community's ClickSilver Connects* [illegible] which provides mentors to help [illegible] and vulnerable people to connect with friends and family [illegible] essential item [illegible] confidence.

Fighting climate change and improving biodiversity

As [illegible] during the COP26 conference, climate change is one of the defining issues of our time, and it has *never been more important* for business [illegible] to commit to significantly reducing emissions and avoid the worst *consequences of global warming.*

During 2021 Capita achieved verification by the SBTi of our company-wide short-term 1.5°C *carbon reduction targets*. We set out our *near-term* [illegible] carbon by 2035. This is one of the [illegible] Board and we will be linking net zero commitments to executive pay from 2022. We are pleased with our progress to date on this issue and by our achievement of a score of A- in our CDP disclosure of environmental performance.

With [illegible] across the globe, Capita is [illegible] own internal [illegible] to lower its impact [illegible] sustainability. We launched our [illegible] COP [illegible]

[illegible] and educate colleagues on the ways they can support a [illegible] net zero by changing their own behaviour.

We also continue to focus on delivering solutions to support sustainability through our work with clients. Through our Smart Data Communications Company (DCC), we continue to drive a low carbon economy by building and implementing a new secure data network [illegible] smart meters to the systems of energy [illegible] [illegible] carbon by [illegible] 2021 we [illegible] smart meters to [illegible] around 500,000 tonnes CO_2 equivalent (CO_2e) per annum, paving the way for better use of energy. At Capita we also launched the expanded ULEZ with TfL, making the zone 18 times larger than previously – a [illegible] forward for clean air in the UK capital and benefiting [illegible] people in the city by reducing congestion and air pollution. [illegible] of vehicles entering the capital are now complying with the minimum emission standard.

COP26 also highlighted the importance of *protecting and enhancing nature*, as well as the climate, biodiversity being intrinsically linked to reducing carbon emissions. Capita has embarked on several projects to protect nature in the UK and Brazilian Amazon. Smart DCC, which has been carbon neutral since 2020, offsets all emissions it cannot reduce using a carbon [illegible] scheme. For each tCO_2e [illegible] planted in the UK and an additional tCO_2e [illegible] the [illegible] Reduced

... purchased goods ... will have ... annually

Net zero plan

... targets ... which we ... Our three phased approach aims ... by 2025 ... net zero by ... including our ... net zero ... May 2022 to ... in line with the ...

Annual GHG emissions

... we ... travel and even ... travel bounceback ... new virtual first ways ... emissions have also ... reduction ... due to the ...

Operational (Scope 1 & 2)

Operational (Scope 1 & 2) emissions

Operational (Scope 1 & 2) + business travel emissions

Annual GHG emissions

	2021	2020	2019
Scope 1 tCO2e	15,021*	[illegible]	[illegible]
Scope 2 tCO2e location-based	24,088*	[illegible]	41,894*
Scope 2 tCO2e market-based	10,328*	[illegible]	[illegible]
Scope 3 tCO2e	4,500*	[illegible]	36,925
Total gross tonnes of CO2e location-based	43,609	[illegible]	[illegible]
Total gross tonnes of CO2e market based	29,848	50,386	77,434
[illegible]	[illegible]	[illegible]	21.92
[illegible]	[illegible]	9.88	[illegible]

Table of progress against targets

Progress against SBTi verified 1.5°C science-based GHG reduction targets	2021 target	2021 actual	2030 target
Scope 1 tCO2e	17,368	[illegible]	[illegible]
Scope 2 tCO2e market based	25,328	[illegible]	[illegible]
Scope 3 business travel	28,161	[illegible]	[illegible]
Scope 3 suppliers by spend with science-based targets verified by SBTi	29%	39%	85

Other metrics	2021	2020	2019
100% renewable power progress (as % of total power)	80%	[illegible]	[illegible]
Transition to low emission vehicles			
Diesel	62%	[illegible]	99
Hybrid electric	32%	[illegible]	[illegible]
Pure electric	5%	[illegible]	[illegible]
Average CO2e	96g/km	[illegible]	[illegible]
Fleet vehicle energy source			

Notes

Scope 1 ...

Scope 2 ...

Scope 3 ...

Methodology

[illegible] (Scope [illegible]) [illegible] Streamlined Energy and Carbon Reporting [illegible] 2018 [illegible] require [illegible] disclosure in respect of GHG emissions [illegible] Strategic Report GHG Emission [illegible]. We engaged an external agency [illegible] to provide independent [illegible] the selected GHG [illegible] in the table on page [illegible] standards. [illegible] Capita [illegible] the selected [illegible] available at [illegible]

[illegible] sources of our GHG [illegible] UK, Ireland [illegible] the World [illegible] development [illegible] international [illegible]

Operating responsibly

We have maintained our focus on operating responsibly throughout the year [illegible] with the aim of [illegible] the Covid-19 pandemic and deal with wider societal challenges.

Client relations

We actively seek the views of our clients through an annual customer net promoter score (NPS) 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 the information back to our teams who then take the time to understand any feedback [illegible] raised and set actions, which are monitored via our customer relationship management platform, Salesforce.

In 2021 we received feedback from more than 950 individuals across 663 clients. This enabled us to achieve a [illegible] response rate (up from [illegible] in 2020) and the results gave Capita a [illegible] NPS [illegible] 2021.

Although the 2021 NPS score is three points lower than 2020, the number of detractors has decreased by [illegible]. The overall NPS [illegible] increased [illegible] compared with [illegible] in 2019 [illegible] and the [illegible] positive swing since we began recording.

Supplier engagement

Around [illegible] of our total supply chain are small and medium-sized enterprises (SMEs), including sole traders and micro businesses. We continued to recognise the impact that the pandemic has had on many of these suppliers with varying demand for products and services often severely affecting their cash flow. Consequently, we have paid them in line with [illegible] payment terms [illegible] faster than the [illegible] requirements [illegible] Prompt Payment Code. In [illegible] sole traders, micro organisations and SME suppliers within our agreed payment terms.

We spent more than £[illegible]m in 2021 with nearly [illegible],000 direct suppliers in [illegible] 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 ethically trade 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 use more SMEs, increase the diversity of our supply chain, [illegible] resilience and [illegible] our net zero reduction targets. [illegible] suppliers are expected to comply with this charter.

We are signatories to the Prompt Payment Code, reporting our payment practices and performance to the government every six months. [illegible] of our suppliers were paid within [illegible] days or less.

Employees on the Board

[illegible]

Targeting bribery and corruption

[illegible]

Upholding human rights

[illegible]

Protecting privacy

[illegible]

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 CSR 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)	• Responsible business: fighting climate change and improving biodiversity pages 46 to 47
Employees	• Code of conduct (E) • Health, safety and environmental policy (E) • Diversity and inclusion policy (E) • Employee handbook (I)	• Our people section pages 35 to 39 • Responsible business: building an inclusive workplace pages 43 to 45 • Diversity data page 44
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)	• Responsible business: operating responsibly – supplier engagement page 48 • Responsible business: operating responsibly – upholding human rights page 49
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 46 • Responsible business: youth employability page 37
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 49
Due diligence and outcome	• Risk management framework • Annual internal audit plan • Risk register • Audit and Risk Committee report	• Risk management framework pages 53 to 55 • Audit and Risk Committee report pages 86 to 95
Business model		• Business model pages 6 and 7
Non-financial KPIS		• Non-financial KPIs page 1 • Responsible business

Task Force on Climate-related Financial Disclosures

TCFD statement of compliance

Strategy – climate scenario analysis:

Strategy – ... impact

Metrics – climate metrics & targets:

TCFD Disclosure	Planned actions in 2022

Governance

Board responsibility for climate-related risks and opportunities

Management's responsibility for climate-related risks and opportunities

- Capita's Chief Executive Officer
- Divisional Heads of Responsible Business
- *Divisional Heads of Risk*
- Group Head of Environment

Strategy

TCFD Disclosure

Planned actions in 2022

Strategy continued

qualitative risk & opportunity assessment

TCFD Disclosure

Planned actions in 2022

Strategy continued

Technology

Energy source

Reputational

Resilience

Climate-related opportunities

Climate transition plan

TCFD Disclosure	Planned actions in 2022

Risk management

[illegible]

TCFD Disclosure	Planned actions in 2022

Metrics and targets

Climate-related metrics

[illegible]

- Scopes 1-3 emissions [illegible]
- Exposure to climate-related risks [illegible]
- *Revenue from climate-related opportunities* [illegible]
- Capital deployment on management of climate risks and opportunities [illegible]
- Proportion of executive remuneration assigned to climate considerations [illegible]

Other climate-related indicators monitored

[illegible]

Climate-related targets

[illegible]

Risk management and internal control

[illegible]

We recognise that effective internal control and risk management are essential to our long-term success and are fundamental in helping us achieve our strategic objectives and protecting shareholder value. Risk management is a core component of our business processes, which have been enhanced through our newly established organisational structures.

Managing risks through transformation

[illegible] completed the final [illegible] creating two core divisions, [illegible] and Experience and [illegible] responsible for managing [illegible] businesses being held for [illegible] operating structure became [illegible] 2021. Throughout the period [illegible] company [illegible] risk management.

[illegible] fully [illegible] committees [illegible] risk [illegible] in the current organisational [illegible] committees [illegible] at the divisional and [illegible]. Further work will take place [illegible] constituted [illegible]

Internal control and risk management journey

[illegible] opportunities to enhance [illegible] internal control [illegible] greater rigour and [illegible] processes and controls as [illegible]. During the year Capita continued [illegible] including the key [illegible] KCQ and finance [illegible] minimum control standards rollout. An internal control improvement programme was also initiated to take a systematic approach to enhancing internal key financial and non-financial controls with a view to preparing for potential UK-SOx attestation requirements under the proposals being developed by the Department for Business, Energy & Industrial Strategy. The Board recognises that Capita's control effectiveness remains overly dependent on manual intervention and there is a lack of control documentation and allowance for inconsistency in process across most of the Group. The Board and the Audit and Risk Committee [illegible] underestimate the work needed to ensure that robust internal control and risk assessment frameworks are embedded fully. Work will continue to be undertaken during 2022 to enhance and improve the standardisation and overall effectiveness of the Group's internal control framework.

Key control questionnaire

A KCQ [illegible] introduced in 2020 and continued again for 2021. The KCQ is used to assess the effectiveness of key entity and functional level controls by asking business leaders to attest to control compliance within their functional, divisional or business unit areas. The results from the KCQ process serve as a baseline for continuous improvement and identify a series of improvement actions to be implemented in subsequent periods.

Minimum control standards

In 2021, Group Finance enhanced the self-assessment process across the business and key functional areas to obtain assurance over the operation of key financial controls. It is intended that this process will continue to operate in 2022, in parallel with new and existing control initiatives.

An evaluation of financial controls is undertaken by the senior finance team to identify areas where these might only be partially effective or be inefficient in achievement of their purpose. Any material issues are dealt with through mitigating activities to ensure the effectiveness of the existing controls over financial reporting.

Risk oversight and governance

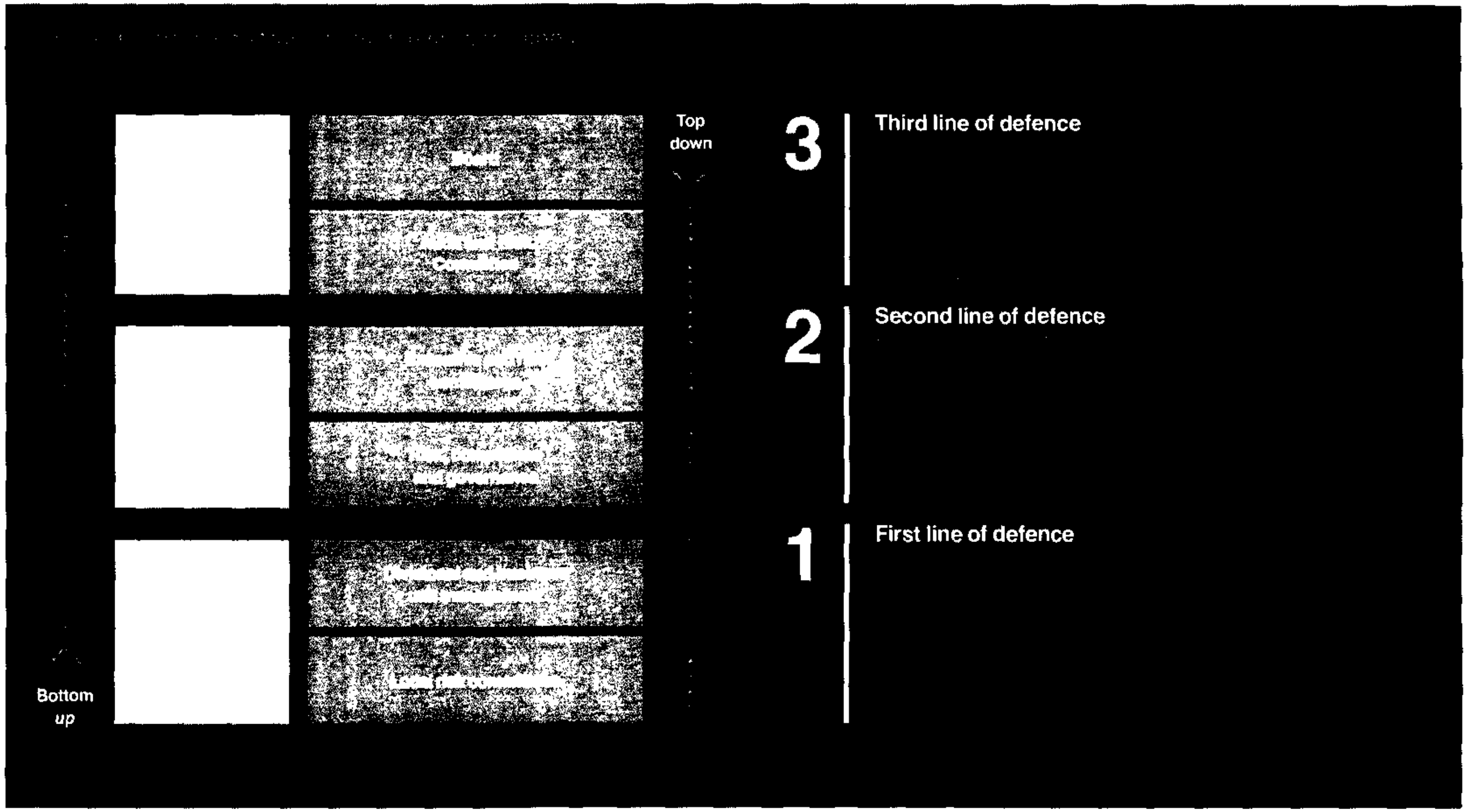
A risk-focused culture and tone is expected across all levels at Capita, reflecting the tone at the top of the Group set by the Board. The Board is ultimately accountable for providing strategic governance and stewardship of the company. Throughout 2021, the principal and [illegible] risks facing the company continued to be reviewed by the Board, including those risks that could threaten Capita's business strategy delivery, future performance, resilience and 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.

[illegible] of the Financial [illegible] of NBC [illegible] provide [illegible] internal services [illegible] by an [illegible] for and [illegible] to the Committee.

[illegible] operational and functional [illegible] business unit [illegible] that they are [illegible]

Capita [illegible] totally eliminated and that [illegible] the Board [illegible] leadership will accept [illegible] strategic [illegible] opportunities. However, [illegible] decisions are made at an appropriate authority level and reflect Capita's defined risk appetite. Capita's risk governance framework is illustrated below.



Risk management process

[illegible] framework was refreshed [illegible] to the Group risk [illegible] standard. The risk [illegible] ownership and [illegible] assessment and [illegible] opportunities are [illegible] the Group. The Board [illegible] through [illegible] and risk appetite [illegible] as a whole. The divisions [illegible] teams then work in [illegible] to undertake a top down, bottom [illegible] to identify, assess and respond to [illegible]

[illegible] is based on risk [illegible] which continues [illegible] management [illegible] have [illegible] view the risk at [illegible] of the risk [illegible] the strength of existing [illegible] to determine whether any [illegible] actions are needed to [illegible] within the risk appetite [illegible] the Board. In 2021 our principal risk [illegible] updated to include the [illegible]. This resulted in some [illegible] uncomfortable to [illegible] vulnerable.

[illegible] their inherent [illegible] level [illegible] and further [illegible] the potential impact on the [illegible] of impact includes [illegible] 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, mitigation and future risk reduction actions.

A risk and assurance committee timetable enables smooth flow of risk information between the business units, divisions, functions, the [illegible] and the Committee. Standard terms of reference, agenda and data points are being developed at each governance level to ensure risk management is consistently reported and understood across the Group.

Risk appetite

The Board sets the Group's risk appetite, as proposed by the [illegible], to ensure that it reflects current external and market conditions. The risk appetite outlines the 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 ongoing risk management framework refresh, risk appetite statements are in the process of being developed for each principal risk. 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.

The next step in our risk appetite journey is to develop key risk indicators for each principal risk which will be implemented during 2022 and used as a measure by the business to assess trends in the risk profile and whether the business is operating within appetite.

Emerging risks

The identification of emerging risks is carried out by both the divisions/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 has not identified any emerging risks as all current key risks and those previously identified as being emerging are now 'live' risks.

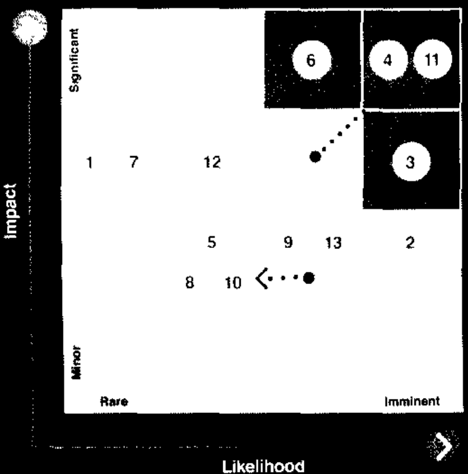
Principal risks

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.

In 2021, two principal risks were added to the Capita risk profile: around climate change and the wellbeing, health and safety of our people.

It is also noted that several principal risks have remained unchanged from prior years due to various challenges faced by the company and significant work remains to be done to improve these risks. The transformation to our new operating model will help address some of these challenges. For more details on the challenges faced and actions taken to address them, please refer to the CEO report on page 10.

The Capita principal risk profile as at *31 December 2021*, is illustrated below



☐	**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 2020 year end

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 and resource 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 responsible business agenda
6	**Data protection**	Failure to protect data, information and IT systems
7	**Contracts**	Failure to secure new contracts and/or extend existing contracts
8	**Delighting clients**	Failure to delight clients and customers and deliver contractual obligations
9	**Internal *control***	Failure to develop and maintain *a risk-based system of internal* control
10	**Political climate**	Failure to plan for, influence and respond to potential changes in the political climate
11	**Financial stability**	Failure to maintain financial stability, viability and achieve financial targets/results
12	**Wellbeing, health & safety**	Failure of Capita to protect the wellbeing, health and safety of all Capita's employees, service users, and others
13	**Climate change**	Failure to adapt Capita and its services to the impacts of climate change

	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	[illegible]	**Mitigation actions in 2021** [illegible] **Future actions** [illegible]
2 Failure to define, resource and execute the right medium-term strategy	[illegible]	**Mitigation actions in 2021** [illegible] **Future actions** [illegible]
3 Failure to innovate and develop new value propositions for clients and customers	[illegible]	**Mitigation actions in 2021** [illegible] **Future actions** [illegible]
4 Failure to attract, develop, engage and retain the right people for current and future client propositions Accountable officer: Chief People Officer	[illegible]	**Mitigation actions in 2021** [illegible] **Future actions** [illegible]

	Potential impact	How we manage the risk
5 Failure to change the culture and practices of Capita in line with our responsible business agenda		**Mitigation actions in 2021** **Future actions**
6 Failure to protect data, information and IT systems		**Mitigation actions in 2021** **Future actions**

	Potential impact	How we manage the risk
7 Failure to secure new contracts and/or extend existing contracts		**Mitigation actions in 2021** **Future actions**
8 Failure to delight clients and customers and deliver contractual obligations		**Mitigation actions in 2021** **Future actions**

9 Failure to develop and maintain a risk-based system of internal control

Mitigation actions in 2021

Future actions

10 Failure to plan for, influence and respond to potential *changes in* the political *climate*

Mitigation actions in 2021

Future actions

Potential impact

How we manage the risk

11 Failure to maintain financial stability and achieve financial targets

Mitigation actions in 2021

Future actions

	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**	[illegible]	**Mitigation actions in 2021** [illegible] **Future actions** [illegible]
13 **Failure to adapt Capita and its services to the impacts of climate change**	[illegible]	**Mitigation actions in 2021** [illegible] **Future actions** [illegible]

Viability statement

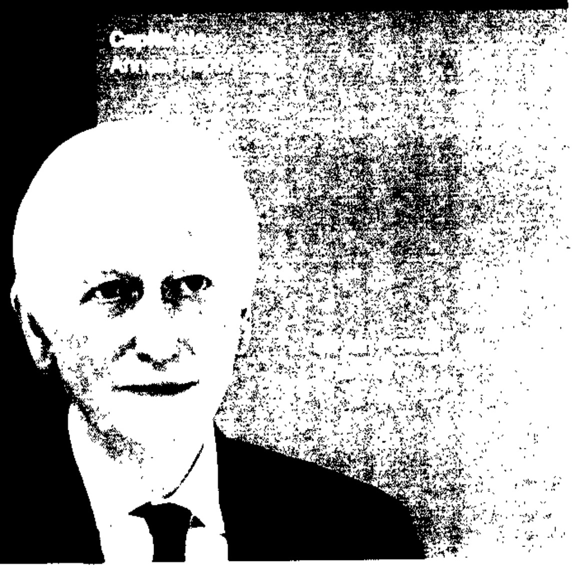
The strategic report was approved by the Board and signed on behalf of the Board

Claire Denton
Group Company Secretary

Corporate governance

Chairman's report

Board strength and resilience is essential to operate successfully during a period of sustained disruption. I am therefore pleased to introduce the corporate governance section of this Annual Report and present my introductory statement on Board governance during 2021.



Board leadership

Board diversity

	31 December 2021	1 February 2022

Reappointment of directors

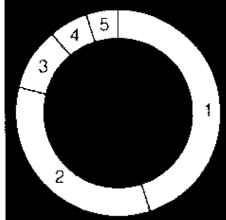
Meeting schedule

Senior management

Board effectiveness

Corporate governance principles

Board time allocation (%)



1 **45%** Executive reports
2 **34%** Strategy, transformation and growth
3 **10%** Governance (incl. Board evaluation)
4 **6%** IR / brand / reputation
5 **5%** Full and half-year results

Sir Ian Powell (Chairman)
Jon Lewis (CEO)

Joseph Murphy

2015 2018 2021

[redacted]

Culture

[illegible] sustainability. The Board [illegible] in the Group's [illegible] is an aggregation [illegible] culture and further information on each of [illegible] set out in the people [illegible]

Metric	2021	2020
[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]

[illegible] the factors [illegible] consistently and [illegible]

Board evaluation

[illegible] An external [illegible] set out [illegible]

Finding from 2020 evaluation	Action in 2021
[illegible]	[illegible]
[illegible]	[illegible]

[illegible] evaluation [illegible] Members of the [illegible] the Chairman and [illegible] matters, [illegible] Director [illegible] the annual

The evaluation concluded that the Board had continued to perform well during the pandemic. Particular strengths were Board culture, stakeholder relationships and governance and compliance. The evaluation also identified certain aspects of the Board's work that could be improved and these areas, set out in the following table, were highlighted and discussed by the Board when the evaluation findings were presented.

Finding from 2021 evaluation	Proposed actions in 2022
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]

Remuneration

Following consultation with major shareholders on the new restricted share plan for executive directors, a revised remuneration policy was approved by shareholders at the 2021 AGM. Further details can be found in the directors' remuneration report on page 103.

Corporate governance and committee reports

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

Sir Ian Powell
Chairman

Board members

Chairman

Sir Ian Powell

Executive Directors

Jon Lewis

Tim Weller

Appointed

Key skills and experience

Board responsibilities

External appointments

Independent Non-Executive Directors

David Lowden

Appointed

Key skills and experience

Other current appointments

Matthew Lester

Appointed

Key skills and experience

Other current appointments

Georgina Harvey

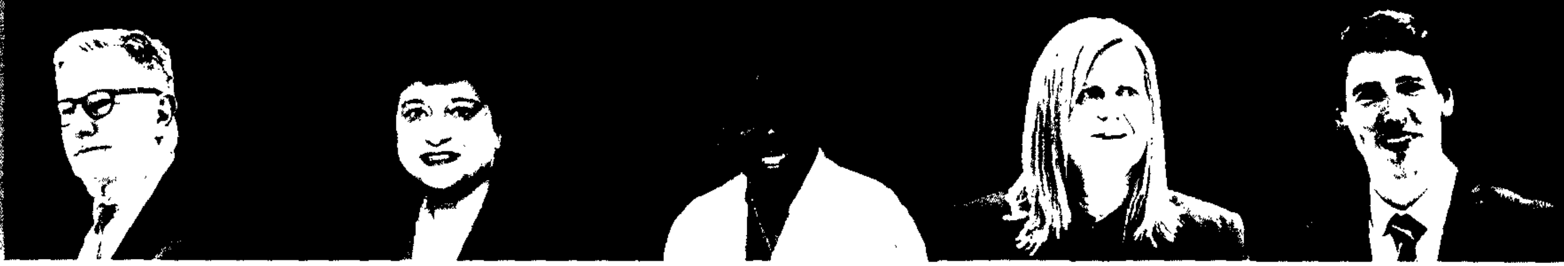
Appointed

Key skills and experience

Other current appointments

Independent Non-Executive Directors

Employee Non-Executive Directors



John Cresswell

Neelam Dhawan

Other current appointments

Nneka Abulokwe OBE

Appointed

Key skills and experience

Other current appointments

Lyndsay Browne

Appointed

Key skills and experience

Other current appointments

Joseph Murphy

Appointed

Key skills and experience

Other current appointments

Directors who served during the year 2021

Committed to high standards of governance

Corporate Governance Code

[illegible]

Board changes during the year

[illegible]

Board changes after year end

[illegible]

Board composition

At 31 December 2021 the Board comprised 10 directors, made up of the Chairman, CEO, CFO, five independent non-executive directors and two employee non-executive directors. Details of each director's experience are set out in the directors' biographies on pages [illegible] and 68.

Composition of the Board at 31 December 2021 and at the date of this report is shown in the following tables:

Board composition at 31 December 2021

Executive directors	Independent non-executive directors	Non-executive employee directors
[illegible]	[illegible]	[illegible]
Tim Weller	[illegible]	[illegible]
	[illegible]	
	[illegible]	
	[illegible]	
	[illegible]	

Board composition at the date of this report

Executive directors	Independent non-executive directors	Non-executive employee directors
[illegible]	[illegible]	[illegible]
Tim Weller	[illegible]	[illegible]
	[illegible]	
	[illegible]	
	[illegible]	
	[illegible]	
	[illegible]	

Role of the Board

Matters reserved for the Board

- Major controls
- Shareholder communication
- Board membership

Chairman

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

Senior independent director

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

Non-executive directors

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

Executive directors

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

Non-executive employee directors

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

Board meetings and attendance

[illegible] meetings are held as [illegible] committee meetings is shown below, the [illegible] attendance.

	Board	Audit and Risk Committee	Remuneration Committee	Nomination Committee
[illegible]	[illegible]		[illegible]	[illegible]
[illegible]	[illegible]		[illegible]	[illegible]
[illegible]	[illegible]		[illegible]	[illegible]
[illegible]	[illegible]		[illegible]	[illegible]
[illegible]			[illegible]	[illegible]
[illegible]	[illegible]		[illegible]	[illegible]
[illegible]	[illegible]		[illegible]	[illegible]
[illegible]		[illegible]	[illegible]	[illegible]
[illegible]	[illegible]		[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]		[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]			[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible] often held by telephone or [illegible]

[illegible] agreed with the [illegible]

[illegible] utive director and each [illegible]

- The non executive directors met without executive directors
- The non executive directors met without the Chairman, led by the SID

Board leadership

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

Sir Ian as Chairman and David Lowden as SID have held meetings comprising solely the non executive directors. David also met with the non executive directors without Sir Ian. Both Sir Ian and David are available to meet with significant shareholders when requested.

Governance and strategy

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

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

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

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

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

[illegible] Board discussions and [illegible] statement on page 41

Board independence

[illegible] independent. All [illegible] required under the [illegible] for the employee [illegible] the year were [illegible] met the criteria of [illegible]

[illegible] and reflects the [illegible] skills and experience [illegible] tenure and experience of [illegible] challenge and support [illegible]

[illegible] character and [illegible]

Matters reserved for the Board

[illegible]

- [illegible] the Group [illegible] culture
- Strategy [illegible] structure and [illegible] changes [illegible]
- Financial [illegible] trading [illegible] and accounting [illegible]
- [illegible]
- [illegible]
- Communication [illegible]

- **Board membership and other appointments** including changes to the structure, size and composition of the Board, and succession planning for the Board and senior management

Board of directors' induction and training

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

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

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

Tailored induction programmes were provided for Tim Weller, Ian Powell, David Lowden, Neelam Dhawan and Gordon Boyd to ensure they were properly equipped to fulfil their roles.

Group Company Secretary

All Board members have access to independent advice on any matters relating to their responsibilities as directors and as members of the various committees of the Board at the Group's expense. The previously separate roles of Chief General Counsel and Group Company Secretary were combined on the appointment of Claire Denton as Chief General Counsel and Group Company Secretary on 1 March 2017. Claire is available to all directors and is responsible for ensuring that all Board procedures are complied with. Claire has direct access and responsibility to the chairs of the standing committees and open access to all directors, and has been appointed as Secretary to the Audit and Risk, Remuneration and Nomination committees.

Claire works closely with the Chairman of the Board and the Chairs of the Audit and Risk and Remuneration committees, and briefs them on [illegible] governance and committee requirements.

Shareholder engagement

[illegible]

Shareholder meetings

[illegible]

Principal decisions

Principal decision	Impact on long term sustainable success	Stakeholder considerations	Further details
Restructuring of operating model: [illegible]	**Growth:** [illegible] **Principal risks:** [illegible]	**Our people:** [illegible] **Investors:** [illegible]	[illegible]
Net zero: [illegible]	**Strategy:** [illegible] **Principal risks:** [illegible]	**Society:** [illegible]	[illegible]

Shareholder communications

[illegible]

Business relationships

[illegible]

Remuneration Committee

[illegible]

Risk management and internal control

[illegible]

Other statutory and regulatory information

Strategic report

[illegible]

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

Corporate governance report

The corporate governance statement as required by Rule [illegible] of the Financial Conduct Authority's Disclosure Guidance and Transparency Rules (DTR) is set out on pages [illegible].

Management report

For the purposes of Rule [illegible] and Rule [illegible] of the DTR, the directors' report and the strategic report on pages 1 to [illegible] comprise the management report.

Post-balance sheet events

The following events occurred after 31 December 2021 and before the approval of these consolidated financial statements but have not resulted in adjustments to the 2021 financial results.

Disposal of AMT Sybex: the disposal of the AMT Sybex software business to [illegible] Computing (UK) Limited completed on 1 January 2022. Cash proceeds of £[illegible]m were received on completion, which included the settlement of intercompany balances owed by AMT Sybex to the Group of £[illegible]m. Following an impairment of assets in 2021 based on the expected fair value less cost of disposal of the business, net assets of £[illegible]m were derecognised on completion. Total costs of disposal are estimated to be £3.4m, of which £[illegible]m were recognised at 31 December 2021. Potential additional consideration of up to £[illegible]m is payable to Capita over [illegible] months, subject to certain conditions.

Disposal of Secure Solutions and Services: the disposal of the SSS business to NEC Software Solutions UK completed on 5 January 2022. Cash proceeds of £[illegible]m were received on completion, which included the settlement of intercompany balances owed by SSS to the Group of £[illegible]m. Net liabilities of £[illegible]m were disposed of, and total disposal costs are estimated to be £[illegible]m (of which £[illegible]m were recognised at 31 December 2021). Consequently, we expect to record a total gain on disposal of approximately £[illegible]m.

Disposal of Trustmarque: the disposal of the Trustmarque business to One Equity Partners was announced on 28 January 2022 for £[illegible]m on a cash-free, debt-free basis, and the Group expects to receive net proceeds of £[illegible]m at completion. Additional consideration of £[illegible]m is payable to Capita contingent on certain future events.

Election to apply FRS 101 – reduced disclosure framework

[illegible]

Appointment, reappointment and removal of directors

[illegible]

Group activities

[illegible]

Results and dividends

[illegible]

Conflicts of interest

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

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

Major shareholders

At 31 December 2021 the Company had received notifications in accordance with the DTRs that the following were interested in the Company's shares:

Shareholder	Number of shares	% of voting rights at 31 December 2021	Number of shares direct	Number of shares indirect
[illegible]	[illegible]	[illegible]		[illegible]
[illegible] Management LLP	[illegible]	[illegible]	[illegible]	
[illegible] Limited	[illegible]	[illegible]		[illegible]
River and Mercantile Asset Management LLP	[illegible]	[illegible]	[illegible]	–
Veritas Asset Management LLP	[illegible]	[illegible]		[illegible]
Ninety One UK Limited	[illegible]	[illegible]		[illegible]
BlackRock Inc.	[illegible]	[illegible]		[illegible]
Invesco Ltd	[illegible]	[illegible]	–	[illegible]
[illegible]	[illegible]	[illegible]		[illegible]
Vanguard Group Inc.	[illegible]	[illegible]	[illegible]	
Jupiter Asset Management Limited	[illegible]	[illegible]		[illegible]

Directors' interests

[illegible] on page 114

Share capital

[illegible] quoted on [illegible]

	Number of shares	% of issued share capital
[illegible]	[illegible]	
[illegible]		
[illegible]	[illegible]	
[illegible]	[illegible]	[illegible]

[illegible] issued and [illegible] the transfer of [illegible] shares have [illegible] the financial year to the [illegible]

[illegible] the year was [illegible]p

[illegible] share capital at the [illegible] 2020 [illegible]

Viability statement

[illegible] the viability of the Group [illegible] current position [illegible] the [illegible] Parent Company [illegible] the period of the [illegible]

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the strategic report on pages [illegible] to [illegible]. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described on pages 26 to 34. In addition, section 4 in the financial statements on pages [illegible] to [illegible] includes the Group's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and hedging activities, and its exposures to credit risk and liquidity risk.

In determining the appropriate basis of preparation of the financial statements for the year ending 31 December 2021, the directors are required to consider whether the Group can continue in operational existence for the foreseeable future, being a period of at least 12 months from the date of approval of the financial statements.

The Board monitors closely the Group's funding position throughout the year, including monitoring compliance with covenants and available facilities to ensure it has sufficient headroom to fund operations. In addition, to support the going concern assumption, the Board conducts a robust assessment of the Group's financial projections for the foreseeable future, considering also the committed facilities available to the Group. The Board has [illegible] to the projections under a severe but plausible downside. This includes adverse impacts arising from potential execution challenges of financial exposures on customer contracts and the ongoing uncertainties arising in the post pandemic recovery period.

To mitigate these, the Board is focused on introducing significant new funds to the Group via a continuation of the approved disposal programme and refinancing of debt maturities, including the Group [illegible] which matures in August 2023. The Group has a strong track record of executing major planned disposals and a successful history of securing effective refinancing. Therefore, after careful consideration and reflecting also the Board's confidence in the transformation, the Board has concluded that the Group and Parent Company will continue to have adequate financial resources to discharge their liabilities as they fall due over the going concern assessment period.

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

Auditor review

[illegible]

Disabled persons

[illegible]

Employee development and engagement

Actions taken during the year regarding the consultation of and provision of information to UK employees are described in the people section on pages 35 to 39. Communication with employees in relation to Capita's financial performance is detailed in the remuneration report on page 100.

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

Further information on employee development, consultation and engagement is included in the people and responsible business sections on pages 35 to 39 and 42 to 49 and the section 172 statement on pages 40 and 41.

Political donations

The Group did not make any political donations or incur any political expenditure during the year (2020: nil).

Greenhouse gas emissions

Details of the Group's greenhouse gas (GHG) emissions, including metrics and methodology, are set out in the table on page 78 and on page 47 of the strategic report.

GHG emissions (tCO_2e) and energy use (kWh) for period 1 January 2021 to 31 December 2021

Period	Current reporting year 2021			Comparison reporting year 2020		
Region	UK and offshore	Global (excluding UK and offshore)	Total	UK and offshore	Global (excluding UK and offshore)	Total
[illegible]	[illegible]	[illegible]	65,218,269	[illegible]	[illegible]	75,540,811
[illegible]	[illegible]	[illegible]	106,990,520	[illegible]	[illegible]	97,603,902
[illegible]	[illegible]	[illegible]	14,774,974	[illegible]	[illegible]	50,264,055
[illegible]	[illegible]	[illegible]	186,983,763	[illegible]	[illegible]	223,408,768
[illegible]	[illegible]	[illegible]	100%	[illegible]	[illegible]	100%
[illegible]	[illegible]	[illegible]	11,639	[illegible]	[illegible]	16,186
[illegible]	[illegible]	[illegible]	1,916	[illegible]	[illegible]	1,782
[illegible]	[illegible]	[illegible]	1,466	[illegible]	[illegible]	1,011
[illegible]	[illegible]	[illegible]	198	[illegible]	[illegible]	181
[illegible]	[illegible]	[illegible]	23,891	[illegible]	[illegible]	28,178
[illegible]	[illegible]	[illegible]	10,328	[illegible]	[illegible]	23,552
[illegible]	[illegible]	[illegible]	4,500	[illegible]	[illegible]	7,881
[illegible]	[illegible]	[illegible]	39,109	[illegible]	[illegible]	47,338
[illegible]	[illegible]	[illegible]	43,609	[illegible]	[illegible]	55,220
[illegible]	[illegible]	[illegible]	29,849	[illegible]	[illegible]	50,383
[illegible]	[illegible]	[illegible]	39,109 £m total revenue 2021	[illegible]		14.2
[illegible]	[illegible]	[illegible]	0.73	[illegible]	[illegible]	0.85

Energy efficiency action 2021

[illegible]

	tCO_2e reduction per annum
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]

[illegible] equivalent [illegible] lower than [illegible] science based [illegible] and is being evaluated [illegible] by the CFO to set net zero [illegible] net zero milestones and plan

Financial instruments

[illegible] increases in [illegible] debt [illegible] credit [illegible] described below.

[illegible] drawn committed [illegible] Group [illegible] and [illegible] instruments and the [illegible] between continuity of funding [illegible] to mitigate the risk of [illegible] with a spread of

[illegible]

[illegible]

[illegible] funding that are not contractually committed. The bank facilities and private placement loan notes all include provisions that would require repayment in the event of a change of control, which are typical of these arrangements.

The current RCF expires on 31 August 2022 and a Forward Start RCF is in place that will cover the year to 31 August 2023. The RCF was £40m drawn at 31 December 2021 (31 December 2020: undrawn).

The size of the available commitment will be right sized each time the Group either refinances, raises funds through disposals or raises equity. Both the current RCF and the Forward Start RCF include mandatory cancellation mechanisms that determine the amount of the cancellation in each case. The RCF commitment was £[illegible]m at 31 December 2021 (£452.0m at 31 December 2020). The RCF was reduced to £[illegible]m on [illegible] January 2022 following receipt of proceeds from disposals. The Forward Start RCF commitment is £300m and is also subject to partial mandatory cancellations upon the occurrence of the above events should a threshold of aggregate receipts be reached. The commitments under both facilities are subject to a minimum value of £225m regardless of the quantum of receipts.

In addition to the RCF, at the start of 2021 the Group held £[illegible]m in committed bank backstop bridge facilities, which were cancelled on 1 February 2021 with the receipt of disposal proceeds.

In March 2022 the Group executed with one of its relationship banks a committed backstop bridge facility. The facility provides £70m of additional liquidity and it incorporates provisions such that it will be cancelled or will partially reduce in quantum as a consequence of specified transactions including on completion of the announced disposal of Trustmarque. The committed facility has an expiry date of 31 August 2023 with an option for a further one-year extension at the option of the lender. The facility is subject to covenants, which are the same as the RCF. Finally, certain property and assets used in the Group's operations are funded by lease arrangements. From time to time the Group may sublet leases to third parties.

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

The Group's customers are offered credit terms that are consistent with market practice. The Group uses a non-recourse invoice discounting facility to mitigate the risk of late customer payment. The value of invoices sold under the arrangement at 31 December 2021 was £3.9m (2020: £13.6m). In addition, the Group's German business uses an invoice discounting arrangement relating to a [illegible] 31 December [illegible]

[illegible] beyond terms

[illegible] the normal course of [illegible]

[illegible] the Group's [illegible] borrowing.

[illegible] The principal [illegible] relating to the purchase of [illegible] forward foreign exchange [illegible]

[illegible] with the result that [illegible] The risk [illegible] reference to the public [illegible]

Directors' indemnities

[illegible]

Powers of directors

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

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

Change of control

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

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

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

Rights and restrictions attaching to shares

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

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

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

Restrictions on transfer of shares

The Company's Articles allow directors to, in their absolute discretion, refuse to register the transfer of a share in certificated form unless the instrument of transfer is lodged, duly stamped, at the registered office of the Company or at such other place as the directors may appoint and except in the case of [illegible] in respect of [illegible]

[illegible] and whether [illegible] make [illegible] of more than [illegible]

[illegible] where [illegible]

Annual general meeting

[illegible] Street, London EC2Y 8HQ [illegible] to be proposed are set out in the [illegible] Annual Report and includes notes [illegible] available on the Company's [illegible]

[illegible] 3 34 [illegible] AGM. No shares were [illegible] at the [illegible]

[illegible] of the Company, and the [illegible] of the resolutions [illegible] days.

Cross-references

[illegible] below.

Listing Rule	Subject	Page no.
[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]

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

[illegible] Group and Parent Company [illegible] and regulations.

[illegible] financial statements for [illegible] Group financial statements [illegible] the requirements of the Companies Act 2006 and in accordance with UK adopted international financial reporting standards (IFRSs) and the Disclosure Guidance and Transparency Rules of the UK's Financial Conduct Authority and have elected to prepare the Parent Company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 Reduced Disclosure Framework.

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

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

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

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

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

Directors' responsibility statement

Claire Denton
Chief General Counsel and Group Company Secretary

Committees

Terms of reference

The terms of reference for the Nomination, Remuneration, Audit and Risk, and Disclosure committees are reviewed annually and updated, where required, to reflect updates in good governance practices. They are summarised below and the Nomination, Remuneration and Audit and Risk committee terms of reference are displayed in full in the investor centre at www.capita.com/investors/corporate-governance, together with a summary of matters reserved for the Board.

Nomination Committee	• Reviews composition of the Board. • Recommends appointment of new directors. • Considers succession plans for Board and senior management positions. • Oversees development of diverse pipeline for succession.
Audit and Risk Committee	• Reviews accounting policies and contents of financial reports. • Monitors internal control environment. • Considers adequacy, effectiveness and scope of external and internal audit programme. • Oversees relationship with external auditor. • Monitors risk profile and obtains assurance that principal risks have been properly identified and appropriately managed.
Remuneration Committee	• Sets policy for Board and senior management remuneration. • Approves individual remuneration awards. • Agrees changes to senior executive incentive plans.
Disclosure Committee	• Responsible for the appropriate identification and management of inside information, including any decision to delay public disclosure.

Membership of the Company's standing committees at 31 December 2021 is shown below:

Sir Ian Powell	C		
David Lowden	X	X	X
Matthew Lester	X	C	X
Georgina Harvey	X	X	C
John Cresswell	X	X	X
Neelam Dhawan	X	X	X
Lyndsay Browne			X
Joseph Murphy		X	

(C) Chair

During 2021, the Nomination Committee met three times, the Remuneration Committee five times and the Audit and Risk Committee seven times. Some directors were unable to attend certain committee meetings due to prior commitments. Attendance of directors at committee meetings is shown in the table on page 71.

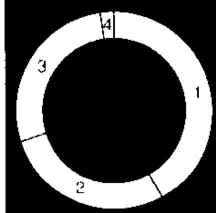
Nomination Committee report

The committee has focused on achieving an appropriate balance and continuity of skills on the Board.

The committee met three times in 2021 and the members' attendance record is shown on page 71. The Chief General Counsel and Group Company Secretary acts as Secretary to the committee and is available to assist committee members as required, also ensuring the distribution of timely and accurate information. The committee reports and makes recommendations to the Board in relation to its activities. It is authorised under its terms of reference to obtain the advice of independent search consultants. The committee's terms of reference were reviewed and updated during the year and can be found on Capita's website at www.capita.com/investors/corporate-governance.

[illegible]

Nomination Committee time allocation (%)



1 **42%** Board appointments
2 **28%** Succession planning
3 **28%** Diversity
4 **2%** Governance

Diversity and inclusion

[illegible] based on a commitment [illegible] We believe that business [illegible] within this approach [illegible] that the entire [illegible] Capita operates [illegible]

[illegible]

Gender and ethnicity balance

[illegible] diversity targets on [illegible] by the end of [illegible] at both Board and senior [illegible]

[illegible] senior management[1] was [illegible] representation on the Board and [illegible] female [illegible]

[illegible] ethnically diverse [illegible]

Appointment process

[illegible] experience [illegible] and the government backed [illegible] female representation [illegible] may not have [illegible] gender diversity

Skills and experience

In January 2021 a Board skills matrix was debated to assist in ensuring the balance of skills and experience of the Board matched the future needs of the business.

Succession planning and Board composition

A formal succession framework is in place for the CEO, CFO, Executive Committee and the two management layers beneath. The purpose of the framework is to apply a fair, objective and consistent methodology to identify future potential career paths for individuals within the Group. Structured development plans are implemented to support individuals in improving their skills and experience. The depth of the framework means talent can be identified and nurtured at an early stage and, combined with the approach to Board appointments, means the pool of possible future candidates for Board roles is sufficiently wide and diverse.

The committee aims to achieve an appropriate balance and continuity of skills on the Board. The process for recruiting a permanent CFO focused on the need for a person with significant finance and transformation experience, and with the appropriate skillset and seniority for the role.

Following her appointment by the Department for Work and Pensions to lead a review of the state pension age, Baroness Lucy Neville-Rolfe stepped down from the Board on 14 December 2021. Leaving the Board would enable Lucy to devote more time to the review and avoid any possible perception of a conflict of interest.

The committee was keen to improve further the Board's strength in technology and innovation, and the appointment of Nneka Abulokwe, who has significant experience of business and technology innovation, will benefit Capita's progress as we develop and move forward to execute on our growth strategy.

The external search agencies, Odgers Berndtson and Spencer Stuart were used respectively for the appointments of Tim Weller and Nneka Abulokwe, and these firms have no other connection with the Group or individual directors.

Board evaluation

Details of the annual board evaluation process are provided in my introduction to the corporate governance section of the Annual Report on page 80.

Capita plc
Annual Report 2021

Continued oversight in a pivotal year

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

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

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

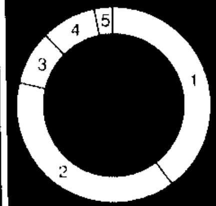
Role and responsibilities

[illegible]

External audit
To review the effectiveness and objectivity [illegible]

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

Audit and Risk Committee time allocation (%)



1 **40%** Risk management
2 **39%** Financial reporting (incl. external audit)
3 **9%** Internal audit
4 **9%** Private meetings with auditors
5 **3%** Governance

Risk and control framework

[illegible] challenges but [illegible] around climate change and [illegible] work from home [illegible]

[illegible] processes to drive efficiency [illegible] As in the prior year a [illegible] business leader [illegible] attention on control [illegible]

[illegible] later in the report

Transformation journey

[illegible] finance transformation. The multi year [illegible] development of the Group risk and control [illegible] continued to assess the [illegible] at the end of the [illegible] to an entirely new [illegible] investments [illegible] effective finance system [illegible] August 2021 [illegible] commitment from the [illegible] platforms underlie [illegible] reporting system [illegible] and automation of [illegible] Further improvements to the [illegible] planned for 2022 taking into [illegible] including the potential [illegible]

Committee membership and attendance

The committee comprises all the independent non-executive directors [illegible] and one of the employee non-executive directors, Joseph Murphy. Although not considered independent under the UK Corporate Governance Code 2018 [illegible] brings valuable insights from the employee perspective into committee discussions and the Board felt that it was important from an employee engagement perspective for him formally to be a member of the committee despite his lack of independence. I am considered to have recent and relevant financial experience for the purposes of the Code.

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

Committee performance was assessed as part of the externally facilitated Board evaluation (see page 66 for more information). The Board is satisfied that the combined knowledge and experience of its members is such that the committee discharges its responsibilities in an effective, informed and challenging manner and that, as a whole, the committee has competence relevant to the sector in which the Company operates. The Group Company Secretary (or their nominee) acts as Secretary to the committee and is available to assist the members of the committee as required, ensuring that timely and accurate information is distributed accordingly.

How the committee operates

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

How the committee discharged its roles and responsibilities in 2021

[illegible]

Financial reporting

Accounting judgements and significant accounting matters

[illegible]

Fair, balanced and understandable

[illegible]

Communications with the Financial Reporting Council

In September 2021 the Company received a letter from the Financial Reporting Council (FRC) following its review of the Company's 2020 Annual Report and Accounts. The FRC requested further information in relation to recoverability of investments in subsidiaries and amounts owed by subsidiaries reported by the Parent Company.

Following provision of the information requested, the FRC closed its enquiry in November 2021. We undertook to add further disclosures in relation to the impairment assessment for investments in subsidiaries and these have been added Note [illegible] to the financial statements. Further disclosure or clarification [illegible] the FRC were given full consideration and additional disclosures are included in the 2021 Annual Report and Accounts where material or relevant to do so.

The FRC's review was based on the Annual Report and Accounts and did not benefit from detailed knowledge of the business or an understanding of the underlying transactions entered into. It was, however, conducted by FRC staff with an understanding of the relevant legal and accounting framework. The review carried out by the FRC provides no assurance that the Annual Report and Accounts are correct in all material respects; the FRC's role is not to verify the information provided but to consider compliance with reporting requirements.

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

Going concern and viability assessment

Matter considered

Action

Outcome

Revenue and profit recognition

Matter considered

Action

Outcome

Contract fulfilment assets

Matter considered

Action

Outcome

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

Matter considered

Action

Outcome

Items excluded from adjusted results

Matter considered

[illegible]

Action

[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

Outcome

[illegible]

[illegible]

[illegible]

[illegible]

Provisions and contingent liabilities

Matter considered

[illegible]

Action

[illegible]

[illegible]

[illegible]

Outcome

[illegible]

[illegible]

[illegible]

Pensions

Matter considered	Action
[illegible]	[illegible]
	Outcome
	[illegible]

Other issues considered in relation to the financial statements

Materiality

[illegible] the committee considers [illegible] individual [illegible] the financial statements [illegible] that reach the [illegible] statements. These are [illegible] equity and cash flow [illegible]

[illegible] the CFO and Director of [illegible] in the financial [illegible]

[illegible] that materiality has been applied [illegible] adjusted where [illegible] statement.

Disclosure of information to the auditor

[illegible] that [illegible] auditor is [illegible] to make [illegible]

Statutory auditor

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

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

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

Auditor independence

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

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

[illegible] third party [illegible]

Audit-related services and fees

[illegible] that may be procured from [illegible] the exception of a contract of [illegible] Audit-related services include those [illegible] the external auditor to perform [illegible] KPMG [illegible]

[illegible] to engage the [illegible] fees must [illegible] the CFO. Where [illegible] the auditors [illegible]

[illegible] review of interim results and [illegible] Further details are provided [illegible]

External auditor performance

[illegible] was satisfied [illegible] audit [illegible] committee [illegible]

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

The committee received a presentation from the KPMG lead audit partner on the findings from the FRC Audit Quality Inspection Report for KPMG and the proposed improvement plans put forward by KPMG in response, including details of the Audit Quality Transformation Programme initiated by KPMG. The committee will closely monitor progress against these plans.

Audit partner rotation

The lead audit partner is the lynchpin of the relationship between the committee and the audit team. Accordingly, I led the selection of the new audit partner and made the recommendation to the Board, having interviewed alternative candidates. The committee would like to note their appreciation of the hard work, expertise and professionalism shown by Robert Brent who rotates off the audit this year.

External auditor reappointment

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

The lead audit partner is rotated on a five-yearly basis. The current lead audit partner rotated onto the audit at the [illegible] of the [illegible] audit and will rotate off the audit team following the completion of the [illegible] audit. There are no contractual obligations that restrict the committee's choice of auditor.

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

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

Review of risk management and internal control

[illegible]

Internal audit

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

The committee approved a three year plan in June 2023 which focuses on key business risks and processes. Conducting audits over these risks and processes will provide better insight into how risk is being managed and will provide comparison across businesses and [illegible]. The three year plan will serve as a roadmap for audit activity and the internal audit function will continue to reassess the plan to make sure it is delivered and adjusted in line with Capita's changing risk profile.

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

Insights from 2023 audits have continued to identify consistent themes, including lack of defined policy and procedures over key processes, risks being managed through the experience of our people and existing knowledge, roles, responsibilities and accountabilities not always clear, and lack of evidence to demonstrate monitoring and reporting of control activity. In all cases, management has provided with appropriate actions to mitigate the associated risks. These have been [illegible] management's response [illegible] through the timely [illegible] action.

The committee reviews management's responses to the matters raised and ensures that any action is commensurate with the level of risk identified, whether real or perceived.

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

Anti-bribery and corruption

[illegible]

Speak Up

[illegible]

Privacy

[illegible]

Matthew Lester
Chair

Directors' remuneration report

Chair, Remuneration Committee

This report is split into three sections:

- The annual statement which details how the committee discharged its responsibilities in respect of 2021 and the proposed implementation of the directors' remuneration policy for 2022.
- A summary of the directors' remuneration policy (the policy) which was approved by shareholders at the 2021 annual general meeting (AGM). No changes are proposed for 2022.
- The annual report on remuneration [illegible] remuneration [illegible] outcomes for the year [illegible] and explains how the policy will be operated for 2022.

The directors' remuneration report, excluding the policy, will be subject to an advisory shareholder vote at the 2022 AGM.

Annual statement

[illegible]

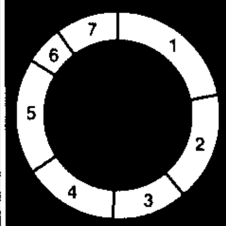
How the committee operates

[illegible]

All members of the committee are independent non-executive directors, with the exception of the non-executive employee director. The number of formal meetings held and the attendance by each member is shown in the table on page 71. The committee also held informal discussions as required. The Company Secretary acts as secretary to the committee and is available to assist the members of the committee as required, ensuring that timely and accurate information is distributed accordingly.

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

Remuneration Committee time allocation (%)



1 **22%** Governance
2 **17%** Executive Directors' and Executive Committee members' remuneration
3 **12%** MBP
4 **15%** LTIP/RSA
5 **18%** Wider workforce
6 **6%** Shareholder consultation/feedback
7 **10%** Committee time only

committee's adviser. At each committee meeting the members may receive other reports and presentations covering wider workforce arrangements which include the annual pay review, incentive scheme arrangements, gender pay reporting, engagement on how executive remuneration aligns with wider company pay policy, salary proposals for members of the senior team and approval of remuneration packages for new members of the executive committee.

Committee activities

The key areas of focus of the committee during the year included:

- Reviewing shareholder feedback following extensive consultation and agreeing the directors' remuneration policy taken to the 2021 AGM
- Agreeing the vesting percentage, including the exercise of negative discretion, in respect of the 2018 LTIP awards for the performance period ended 31 December 2020 (no bonus was operated in 2020)
- Agreeing appropriate initial RSA levels under the new 2021 Capita Executive Plan
- Agreeing the design and targets for the management bonus plan (MBP) [illegible] during the year from the short-term incentive plan
- Determining the remuneration arrangements for executive directors and senior management [illegible]
- Consideration of executive pay arrangements and alignment with those for the wider workforce
- [illegible] remuneration
- Consideration of the project plan for a review of wider workforce strategy on pay and progression

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

Clarity Our policy is well understood by our senior management team and has been clearly articulated to our major shareholders and representative bodies (both on an ongoing basis and during the detailed consultation exercise in 2020/21 in respect of the last policy review).

Simplicity The committee is mindful of the need to avoid overly complex remuneration structures which can be misunderstood and deliver unintended outcomes. A key objective of the committee is to ensure that executive remuneration policies and practices are straightforward to communicate and operate. The current policy, approved at the 2021 AGM, and its implementation has been simplified significantly in respect of long-term incentive pay through the use of RSAs.

Risk Our policy has been designed to ensure that inappropriate risk taking is discouraged and will not be rewarded via (i) the balanced use of both short-term incentives and long-term share awards [illegible] from employment and post [illegible] and the committee's ability [illegible]

[illegible] share plans [illegible]

[illegible] together with [illegible]

Alignment [illegible] culture, including [illegible] the workforce and [illegible] strategy by [illegible]

Remuneration for 2021

[illegible] from LTIPs to RSAs, the [illegible] 2021 remuneration, noting [illegible]

[illegible] revenue growth [illegible]

[illegible] 2021 AGM following [illegible]

Annual bonus for 2021

Following a review of performance by the committee post year end, annual bonuses of [illegible] of maximum for the CEO and [illegible] of maximum for the CFO (pro-rated as a result of joining in year) were awarded. While the threshold targets in respect of adjusted free cash flow and PBT were not met, [illegible] performance (a key part of Capita's transformation plan) was between threshold and target and the strategic objectives were considered to have been met to a significant extent. [illegible] with the [illegible] remuneration policy, 50% of the bonus awards will be deferred into Capita plc shares for three years.

In considering the annual bonus awards for 2021, the committee also reviewed the broader stakeholder experience and concluded that:

- the senior executive team, and in particular the CEO and CFO [illegible] appointments, should be rewarded for providing outstanding levels of leadership and continuing to deliver against the corporate transformation strategy during another year of uncertainty and disruption;
- following the application of committee discretion to reduce the 2019 annual bonus to zero, and the cancellation of the 2020 annual bonus plan in early 2020 before the targets had been set, any further application of negative discretion for the executive directors in respect of the 2021 annual bonus was not necessary or appropriate in the circumstances;
- while a small amount of furlough support was used at the start of 2021 (c. [illegible] in 2020) to protect a number of key roles, this was not considered to be material at c. 0.3% of Capita's total salary bill for 2021, particularly noting the early action taken in respect of the 2020 annual bonus (noted above) and a number of other negative discretions applied over the last two years; and
- the usual split between cash and deferred shares (as per our approved policy) remains appropriate, noting that the RSA already provides a significant level of shareholder alignment and retention and as such further deferral was not considered necessary.

Accordingly, the committee believes that the annual bonus awards to the executive directors for 2021 are [illegible] and appropriate.

The 2019 LTIP awards held by Jon Lewis, which are due to vest in March 2022, will vest at 12.5% of the maximum opportunity as a result of the strong performance against former satisfaction targets, which have been a key part of Capita's transformation plan over the three years to 31 December 2021. Further details in respect of this performance assessment and the value of the awards (which are materially reduced from the value as at the original grant date following the fall in share price since grant) are set out on page 113.

[illegible] executive directors in respect [illegible] and the stakeholder [illegible]

Use of discretion

[illegible] formulaic outcomes and ensure [illegible] use its judgement to adjust [illegible] overall company performance and [illegible] will be [illegible] exercised by the [illegible]

[illegible]

Board changes in 2021

[illegible] Executive Director [illegible] of the [illegible] resignation and Tim [illegible]

[illegible] Non-Executive Directors on 1 January and [illegible] Independent Director with effect from [illegible] Executive Director and the Senior [illegible] Lucy Neville-Rolfe [illegible] 2021 respectively

Remuneration policy for 2022

Following shareholder approval of the policy at the 2021 AGM with a high level of shareholder support, no policy changes are being proposed at the 2022 AGM. See pages 101 to 106 for a summary of the current approved policy.

Implementing the policy for 2022

The committee's intended approach to the implementation of the policy for 2022 is set out below.

Fixed remuneration: Jon Lewis' salary was increased in line with the average increase for the UK workforce from 1 January 2022 (his first salary increase since appointment in 2017) while Tim Weller did not receive a salary increase given his recent appointment to the Board. Executive directors will continue to receive a workforce-aligned pension allowance of [illegible] of salary, in line with other employees.

2022 annual bonus: The annual bonus plan will operate for 2022 with maximum opportunities continuing at 200% (CEO) and 125% (CFO) of salary. The financial performance metrics will be based on reported revenue, reported profit before tax and reported free cash flow (all equally weighted and totalling 80% of maximum bonus). The remaining 20% of maximum bonus will be based on strategic individual objectives incorporating environmental, social and governance (ESG) targets.

2022 RSAs: The CEO was granted an RSA in 2021 over shares equal to 125% of salary and it was the committee's intention to move to 150% of salary RSA from 2022 onwards. In addition, the committee had intended to adopt a more market consistent underpin for 2022 (in addition to an underlying financial performance underpin, the committee also attached a total shareholder return (TSR) growth underpin to the 2021 RSAs). However, reflecting the prevailing share price, the committee has again agreed to grant the CEO's 2022 RSAs at no more than 125% of salary level (i.e. below the normal 150% of salary maximum) and apply the TSR underpin (i.e. TSR must be positive over the three years ending 31 December 2024) to the CEO's RSA for a second year.

In respect of the CFO's 2022 RSA, the committee has agreed to grant this at no more than 100% of salary albeit the TSR underpin will also be applied to his award. While this is higher than the 83% of salary 2021 RSA, the committee wishes to ensure that the CFO remains appropriately retained and incentivised, particularly in light of the application of the TSR underpin (which is currently underwater given that it commenced on 1 January 2022) which was not originally intended to apply when the CFO's remuneration package was agreed in 2021.

[illegible]

Employee engagement

In 2021, Jon Lewis regularly communicated with all employees, including on our 2020 financial results. Employees are able to submit any questions about the Company – including in relation to the directors' remuneration policy and report, pay and benefits – both online and during live employee events. Lyndsay Browne, one of the employee non-executive directors, was appointed to the Remuneration Committee in 2020 with the intention of ensuring a colleague perspective on remuneration at the very top of the organisation.

The committee discussed the specific Code requirement to describe engagement with the workforce on how executive remuneration aligns with wider company pay policy, and how best that might be undertaken at Capita. As committee Chair, I have initiated a programme of workforce engagement sessions, which are attended by a cross-section of employees from different levels, divisions and functions within the Capita Group. These sessions cover the work of the committee, how executive remuneration is linked to performance, strategy on workforce pay and progression, and how Capita executive pay policy links to wider company pay policy including how each element of the remuneration package cascades down the business. These sessions provide an opportunity for questions and answers and the provision of feedback is encouraged. Further workforce engagement sessions are planned during 2021.

Concluding thoughts

As Capita continues its progress [illegible] divisional structure the committee is satisfied that the new policy is operating as intended and will help to ensure that the senior management team is appropriately retained and incentivised. The committee will continue to listen to the views of our shareholders in respect of remuneration matters and welcomes all input.

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

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

Georgina Harvey
Chair
Remuneration Committee

Shareholder views

[illegible]

Directors' remuneration policy

[illegible] policy, which was [illegible] policy approved by [illegible] policy [illegible] report [illegible]

Responsibilities and activities of the Remuneration Committee

[illegible] remuneration policy [illegible] Company Secretary role [illegible] remuneration of the [illegible] rewards with culture [illegible]

[illegible] management [illegible] account the following [illegible]

[illegible] so that they are valued [illegible]

[illegible] annual performance [illegible] between [illegible] profitability [illegible]

[illegible] management to [illegible] alignment with [illegible] existing [illegible]

Consideration of shareholder views

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

Consideration of our people

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

Remuneration policy table

Base salary

Benefits

Pension

Annual bonus

	Maximum opportunity	Performance framework
[illegible]	[illegible]	[illegible]

Restricted share awards

	Maximum opportunity	Performance framework
[illegible]	[illegible]	[illegible]

Shareholding guidelines

	Maximum opportunity	Performance framework
[illegible]	**In employment:** [illegible] **Post cessation:** [illegible]	[illegible]

Non-executive director (NED) fees

Malus and clawback

[illegible] executive directors. These [illegible] awards (including deferred shares) for [illegible] to reduce or recover RSA awards [illegible] the fifth anniversary of grant. The [illegible]

[illegible]

Application of our remuneration policy

[illegible] committee [illegible]

[illegible] variable pay for [illegible] between the [illegible] executive directors. The [illegible] of the new policy [illegible] invitation to the [illegible]

Directors' recruitment and promotions

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

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

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

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

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

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

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

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

[illegible] remuneration arrangements will [illegible] executive directors. However [illegible] the policy table or [illegible] the particular circumstances [illegible]

Directors' service agreements and payments for loss of office

[illegible]

[illegible] for a 12 month [illegible] termination that [illegible] There are no arrangements in place between the [illegible] following a takeover bid [illegible] annual re-election at the annual [illegible]

[illegible] compensation [illegible] the [illegible] employment where the [illegible] way of damages [illegible] the committee [illegible] place the [illegible] Any payment in lieu of notice will be [illegible]

[illegible] at the [illegible] amount in lieu of [illegible] would normally [illegible]

[illegible] with

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

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

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

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

Non-executive directors' terms of engagement

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

Non-executive employee directors' terms of engagement

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

Inspection of service agreements/letters of appointment

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

Annual report on remuneration

[illegible]

Shareholder voting at the AGM

The 2021 directors' remuneration report will be presented to shareholders at the 2022 AGM. At the 2021 AGM, the actual voting in respect of the ordinary resolution to approve the remuneration report for the year ended 31 December 2020 and the vote on the 2021 remuneration policy is set out below.

	Votes for	Votes cast against	Abstention
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]

Policy implementation for 2022

The committee's intended approach to the implementation of the policy for 2022 is set out below.

Fixed remuneration: Jon Lewis' salary was increased in line with the average increase for the UK workforce from 1 January 2022 (his first salary increase since appointment in 2017), while Tim Weller did not receive a salary increase given his recent appointment to the Board. Executive directors will continue to receive a workforce-aligned pension allowance (5% of salary) in line with other employees.

2022 annual bonus: The annual bonus plan will operate for 2022 with maximum opportunities continuing at 200% (CEO) and 175% (CFO) of salary. The financial performance metrics will be based on reported revenue, reported profit before tax and reported free cash flow, all equally weighted and totalling 80% of maximum bonus. The remaining 20% of maximum bonus will be based on strategic individual objectives incorporating environmental, social and governance (ESG) targets.

2022 RSAs: The CEO was granted an RSA in 2021 over shares equal to 125% of salary and it was the committee's intention to move to 150% of salary RSA from 2022 onwards. In addition, the committee had intended to adopt a more market consistent underpin for 2022 (in addition to an underlying financial performance underpin, the committee also attached a TSR growth underpin to the 2021 RSAs). However, reflecting the prevailing share price, the committee has again agreed to grant the CEO's 2022 RSAs at no more than 125% of salary level (ie below the normal 150% of salary maximum) and apply the TSR underpin (ie TSR must be positive over the three years ending 31 December 2024) to the CFO's RSA for a second year.

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

A summary of the fees for 2022, which are unchanged from 2021 levels, are as follows:

	Annual fee from 1 January 2022
Sir Ian Powell, Chairman	[illegible]
David Lowden, Senior Independent Director	[illegible]
Matthew Lester, Audit and Risk Committee Chair	[illegible]
Georgina Harvey, Remuneration Committee Chair	[illegible]
Nneka Abulokwe	[illegible]
John Cresswell	[illegible]
Neelam Dhawan	[illegible]
Lyndsay Browne	[illegible]
Joseph Murphy	[illegible]

Directors' remuneration earned in 2021 – single-figure table (audited)

	Year	Base salary and fees	[illegible]	[illegible]	Annual bonus	LTIP	[illegible]	Total remuneration £	[illegible] £	Total variable remuneration £
[illegible]	2021	[illegible]						325,000	[illegible]	
[illegible]	[illegible]	[illegible]						284,375	[illegible]	
[illegible]	2021	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]		1,237,918	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]		[illegible]		1,196,582	[illegible]	[illegible]
[illegible]	2021	[illegible]	[illegible]	14,967	135,296			459,188	[illegible]	135,296
[illegible]	[illegible]							–		
[illegible]	2021	[illegible]						75,000	[illegible]	[illegible]
[illegible]	[illegible]							–		
[illegible]	2021	[illegible]						75,000	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]						65,829	[illegible]	[illegible]
[illegible]	2021	[illegible]						75,000	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]						65,625	[illegible]	
[illegible]	2021	[illegible]						64,500	[illegible]	
[illegible]	[illegible]	[illegible]						56,438	[illegible]	[illegible]
[illegible]	2021	[illegible]	[illegible]					57,750	[illegible]	[illegible]
[illegible]	[illegible]							–		[illegible]
[illegible]	2021	[illegible]						64,500	[illegible]	[illegible]
[illegible]	[illegible]	56,438						56,438	56,438	[illegible]
[illegible]	2021	[illegible]						64,500	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]						56,438	[illegible]	[illegible]
[illegible]										
[illegible]	2021	[illegible]	[illegible]					514,320	[illegible]	
[illegible]	[illegible]	[illegible]						152,381		[illegible]
[illegible]	2021		[illegible]					905	[illegible]	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]				356,101	[illegible]	[illegible]
[illegible]	2021	[illegible]	[illegible]					14,646	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]						65,625	[illegible]	[illegible]
[illegible]	2021	[illegible]	[illegible]					24,193	[illegible]	0
[illegible]	[illegible]	56,438						56,438	[illegible]	[illegible]
[illegible]	2021	[illegible]						62,163	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]						56,438	[illegible]	0

Annual bonus for 2021 (audited)

The annual bonus for 2021 was operated at normal levels (200% maximum for the CEO and [illegible] of salary for the CFO) based on a combination of Group financial measures (adjusted free cash flow, adjusted PBT and [illegible]) and strategic targets. [illegible] was payable for achieving the threshold target, 50% was payable for achieving target performance with 100% of the bonus payable for achieving the maximum target. Details of performance against the financial and strategic targets are set out below.

Financial targets (80% of the bonus)

	Weighting	Threshold target ([illegible])	Target ([illegible])	Stretch ([illegible])	Actual performance	Achievement (as % of financial performance weighting)
[illegible]						
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
[illegible]		[illegible]	[illegible]	[illegible]	[illegible]	
[illegible]			[illegible]	[illegible]	[illegible]	[illegible]
[illegible]						
[illegible]						

Strategic objectives (20% of the bonus)

[illegible] 20[illegible] of the total annual bonus opportunity for each executive director. The objectives were focused on delivery of Future Capita[illegible] [illegible] strategies, securing long-term financing, improving financial and key non financial controls, and development of a Group-wide finance function [illegible]

Jon Lewis

Objective	Weighting (% of salary)	Assessment	Score (% of salary)
[illegible]		[illegible] NZ [illegible] strategy [illegible] [illegible] stable and costed plan [illegible] defined and approved by the Board [illegible] [illegible] based targets initiative [illegible] Board approval [illegible] [illegible] NZ strategy in the annual Cabinet Office strategic supplier review and rated first of the company's outsourcing [illegible] carbon emissions reduction [illegible]	[illegible]
[illegible]		[illegible] Capita [illegible] [illegible] of the Future Capita [illegible] [illegible] with [illegible] major [illegible] [illegible] Executive Committee [illegible] [illegible] employee NPS was to be [illegible] [illegible] NPS remains strong [illegible] employee NPS, the committee considers this objective to be [illegible] met	[illegible]
[illegible]		[illegible] contract delivery [illegible] [illegible] completed [illegible] [illegible] feedback [illegible] [illegible] aspect of the legacy contract position, the committee considers this objective to be partially met	[illegible]
Total			[illegible]
			[illegible] of maximum

Tim Weller (from 12 May 2021)

Objective	[illegible]	Assessment	Score
Develop [illegible]	[illegible]	[illegible]	[illegible]
Develop [illegible]	[illegible]	[illegible]	[illegible]
Total			[illegible]

	[illegible]		Weller	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

Long-term incentive awards due to vest in 2022 based on performance to 31 December 2021 (audited)

[illegible]

[illegible]

[illegible] progress made against Capita's transformation [illegible] and the performance against the underpin [illegible] details.

Based on the above outcomes, the estimated vesting of the long-term incentive for Jon Lewis in 2022 is:

	Award granted	Shares vesting based on performance [illegible] of maximum	Dividend equivalent shares	Total shares expected to vest	Estimated value at vesting
Jon Lewis	[illegible]	[illegible]		[illegible]	[illegible]

RSAs granted in 2021 (audited)

Following approval of the Capita Executive Plan at the 2021 AGM, no further awards will be granted under the [illegible]. The 2021 RSAs granted to Jon Lewis and Tim Weller [illegible] a reduction of around [illegible] the number of shares that would otherwise be awarded as part of their normal annual grant under the newly approved remuneration policy. The share price at grant was 41.75 pence.

Name of director	Number of shares awarded	Face value of RSA	Percentage of salary
Jon Lewis	[illegible]	[illegible]	[illegible]
Tim Weller	[illegible]	[illegible]	[illegible]

RSAs granted to executive directors in 2021 will normally vest after three years from grant subject to [illegible] satisfactory personal performance during the relevant vesting periods, [illegible] assessment of performance against two underpins (see below). Once vested, shares received may not normally be sold until at least five years from the grant date (other than to pay relevant taxes).

The underpins for the 2021 awards are as follows:

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

Directors' interests and shareholding guidelines (audited)

[illegible]

[illegible] performance conditions, performance underpins, are vested but unexercised. [illegible] for this are calculated net of tax. Share awards that are subject to performance conditions are not included.

The remuneration policy adopted in 2021 incorporates a post-cessation shareholding guideline which requires executive directors to retain 100% of the relevant guideline (or the actual shareholding if lower) [illegible] until the second anniversary of the date of cessation.

	Beneficially held interests at *31 December 2021*	Beneficially held interests at 31 December 2020	Interests in share incentive schemes, awarded without performance conditions at 31 December 2021	Interests in share incentive schemes, awarded without performance *conditions at* 31 December 2020	Interests in share *incentive schemes*, awarded subject to performance conditions/underpins at 31 December 2021	Interests in share incentive schemes, awarded subject *to performance* conditions at 31 December 2020	Interests in share option schemes where performance/ vesting conditions have been met but not exercised at 31 December 2021	Interests in share *option schemes* where performance/ vesting conditions have been met but not exercised at *31 December 2020*	*Percentage of* Shareholding target requirement at 31 December 2021
[illegible]	[illegible]	[illegible]							
[illegible]		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]				[illegible]				[illegible]
[illegible]	[illegible]								
[illegible]	[illegible]	[illegible]							
[illegible]									
[illegible]									
[illegible]									
[illegible]		[illegible]							
[illegible]									
[illegible]									
[illegible]		[illegible]							
[illegible]	[illegible]	[illegible]							
[illegible]									
[illegible]		[illegible]							

[illegible]

Share plans (audited)

DAB plan

[illegible]

Unvested DAE deferred/restricted awards at 31 December 2021

Name of director	2019 award	Total
[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]

Unvested LTIP awards

Name of director	2019 award	2020 award
[illegible]	[illegible]	[illegible]

[illegible] 2019 awards are set out [illegible]

[illegible] as follows:

2019 awards:

Performance underpin	Performance metric	Weighting	Threshold (25% vests)	Target (50% vests)	Stretch (100% vests)
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	12 point positive swing in NPS
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	12 point positive swing in NPS

2020 awards:

Performance underpin	Performance measure	Weighting	Threshold (25% vests)	Target (50% vests)	Stretch (100% vests)
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Unvested restricted share awards

Name of director	2021 award
[illegible]	[illegible]
[illegible]	[illegible]

There are no performance targets attached to the RSAs. However, [illegible] subject to [illegible] continued employment [illegible] satisfactory personal performance during the relevant vesting periods, [illegible] underpins [illegible] below.

The underpins for the 2021 awards are as follows:

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

Satisfaction of options

[illegible]

Dilution

[illegible] ... 10% in 10 years. The [illegible]

Executive directors' service agreements

	Date of joining the Company	Notice period
[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]

Non-executive directors' terms of engagement

	Date of joining the Board	Expiry date of current appointment
[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]

Board changes

As [illegible] 11 May 2021 [illegible] CFO and Executive Director with immediate effect. [illegible] short term contract of £100,000 per month. He therefore received his base salary only up to the date of leaving (12 May 2021) and was not entitled to any further remuneration in respect of pension, bonus, share awards or termination payments.

Tim Weller was appointed as CFO and Executive Director on 12 May 2021 on a base salary of [illegible]. While the Committee is conscious that this is higher than his predecessor's salary at Capita [illegible] the Committee believes that the salary is [illegible] appropriate for the following [illegible]:

- Board experience: [illegible] experienced [illegible] and with [illegible] years' experience as a CFO. At his previous employer Tim was CFO from [illegible]
- Market [illegible] the salary [illegible] reflecting the [illegible] and complexity of the role [illegible] confirmed during the recruitment process.
- Previous remuneration: Tim joined from G4S where he received a significantly higher base salary [illegible] and pension provision. While the on-target bonus and long term incentives were broadly comparable to Capita in [illegible] terms, the total value of Tim's previous remuneration package at on-target and maximum levels was significantly greater than the package at Capita.

Payments to former directors (audited)

No payments were made to former directors.

External appointments for executive directors

During the year [illegible] Tim Weller is a non-executive director of The Carbon Trust [illegible] annual salary of [illegible]. The committee acknowledges these roles can benefit Capita through broadening Jon's and Tim's knowledge and experience.

Percentage change in remuneration levels

[illegible] for the Board [illegible] of the

	2021			2020		
	Base salary/fees	Taxable benefits	Annual bonus	Base salary/fees	Taxable benefits	Annual bonus
[illegible]	[illegible]	[illegible]	100%		[illegible]	
[illegible]	[illegible]	100%				
[illegible]		100%		[illegible]	[illegible]	
[illegible]	[illegible]			[illegible]	[illegible]	
[illegible]	[illegible]					
[illegible]	[illegible]			[illegible]		
[illegible]	[illegible]			[illegible]		
[illegible]	[illegible]	100%		[illegible]		
[illegible]	[illegible]	100%		[illegible]		
[illegible]	[illegible]		[illegible]	[illegible]		
[illegible]	[illegible]	4.1%	123.2%	[illegible]	[illegible]	[illegible]

CEO pay ratio

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

Year	Method	25th percentile pay ratio	50th percentile pay ratio	75th percentile pay ratio
2021	Option B	51.1	40.1	25.1
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

The 2021 remuneration figures for the employee at each quartile were determined with reference to the financial year ending 31 December 2021. Due to the complexity of Capita's corporate and workforce structure, Option B was used to calculate these figures. The committee believes that the approach provides a fair representation of the CEO to employee pay ratios and is appropriate in comparison to alternative methods, balancing the need for statistical accuracy with internal operational [illegible].

A full-time and full-year equivalent total pay and benefits figure for 2021 was calculated for each quartile point employee using the single figure methodology. These were then sense-checked against a sample of employees with hourly pay rates either side of the identified individuals to ensure that the appropriate representative employee was selected. No adjustments were made to the total pay and benefits figures (other than the approximate annualising of pay elements where appropriate to achieve full-time and full-year equivalent values) and no components of pay have been omitted.

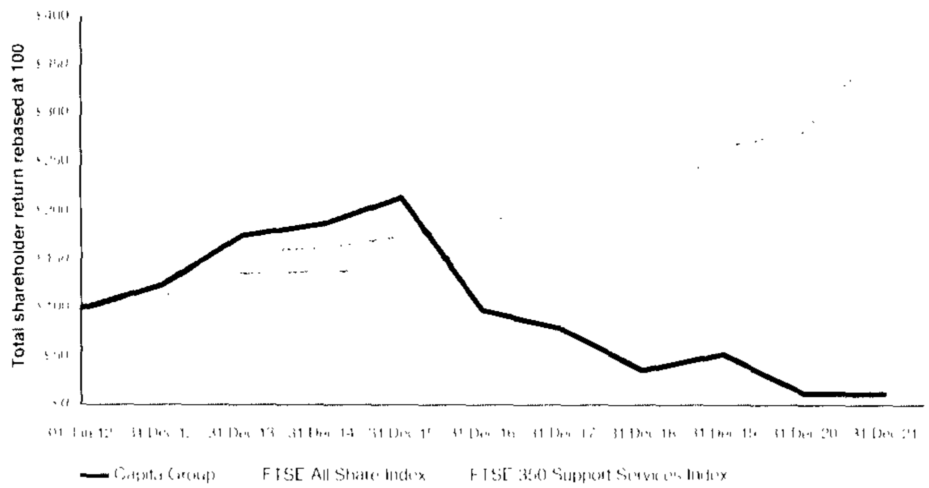
The table below sets out the 2021 full-time equivalent salary and total pay and benefits for the three identified quartile point employees.

2021	25th percentile (P25)	Median (P50)	75th percentile (P75)
Salary	£18,251	£29,457	£39 833
Total pay and benefits	£24,386	£31,040	£48,997

The committee recognises that the 2021 ratios are slightly lower than last year. The CEO's single figure of remuneration for 2021 is marginally higher than the figure for 2020 [illegible] increase for the following reasons:

- The value of the 2019 LTIP vesting outcome (included in the 2021 single figure) is significantly lower than the 2018 LTIP (included in the 2020 single figure)
- The impact of the LTIP is partially offset by

Performance graph and CEO pay



Gender pay gap reporting

Relative importance of the spend on pay

	2021 £m		

	CEO single figure of total remuneration	Annual bonus (vs max opportunity)	Long-term incentive (vs max opportunity)
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]

[illegible] between the LTIP and the [illegible] vesting for the LTIP as there [illegible] remuneration for Paul Pindar [illegible] for 2017 are based on [illegible] interim [illegible] as CEO [illegible] December [illegible] updated to reflect [illegible]

Approval of the directors' remuneration report

[illegible]

Georgina Harvey
Chair
Remuneration Committee

KPMG

Independent auditor's report

to the members of Capita plc

1 Our opinion is unmodified

[illegible]

In our opinion

— [illegible]

— [illegible]

— [illegible]

— [illegible]

Basis for opinion

[illegible]

[illegible]

Overview

Materiality:	[illegible]
Coverage	[illegible]

Risks of material misstatement	vs 2020	
Recurring risks for the Group	[illegible]	◄►
	[illegible]	◄►
	[illegible]	▲
	[illegible]	◄►
	[illegible]	◄►
	[illegible]	►
	[illegible]	◄►
Recurring risks for the Parent Company	[illegible]	◄►

[illegible]

2 Material uncertainty related to going concern

The risk	
Going concern	**Disclosure quality**
[illegible]	[illegible]

KPMG

Our response

[illegible]

Our sector experience: [illegible]

[illegible]

Test of detail: [illegible]

[illegible]

Sensitivity analysis: [illegible]

Our findings: [illegible]

KPMG

3 Other key audit matters: our assessment of risks of material misstatement

The risk

Revenue and profit recognition

Accounting treatment

Subjective estimate

Disclosure quality

Our response

KPMG

Our findings

The risk

Impairment of Goodwill

Forecast-based valuation

Disclosure quality

Our response

Comparing valuations

Tests of detail

Historical comparison

Benchmarking assumptions

KPMG

Sensitivity analysis

Assessing transparency

Our findings

The risk

Items excluded from adjusted profit

Presentation appropriateness

Disclosure quality

Our response

The risk

Capitalisation and recoverability of contract fulfilment assets ('CFA')

Accounting application

Subjective estimate

Disclosure quality

Our response

Tests of detail

Sensitivity analysis

Assessing transparency

Our findings

The risk

Provisions and Contingent Liabilities

Subjective estimates

Dispute outcome

Disclosure quality

KPMG

Our response

Personnel interviews

Tests of detail

Enquiry of lawyers

Assessing transparency

Our findings

The risk

Pensions obligations

Disclosure quality

Our response

Comparing valuations

The risk		
Recoverability of the Parent Company's investment in, and amounts due from, its subsidiaries	**Low risk, high value**	

Our response

Tests of detail

Sensitivity analysis

Assessing transparency

Our findings

4 Our application of materiality and an overview of the scope of our audit

5 The impact of climate change on our audit

6 Going concern basis of preparation

7 Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

Identifying and responding to risks of material misstatement related to compliance with laws and regulations

Context of the ability of the audit to detect fraud or breaches of law or regulation

8 We have nothing to report on the other information in the Annual Report and Accounts

Strategic Report and Directors' Report

Directors' Remuneration Report

Disclosures of emerging and principal risks and longer-term viability

Corporate governance disclosures

9 We have nothing to report on the other matters on which we are required to report by exception

KPMG

10 Respective responsibilities

Directors' responsibilities

Auditor's responsibilities

11 The purpose of our audit work and to whom we owe our responsibilities

Robert Brent (Senior Statutory Auditor)

KPMG

Section 1

Section 2

Section 3

Section 5

Section 6

Section 7

Section 8

For the year ended 31 December 2021	
Continuing operations	
Revenue	[illegible]
[illegible]	[illegible]
Gross profit	[illegible]75.8
[illegible]	[illegible]
Operating costs	(86.6)
[illegible]	[illegible]
[illegible]	(46.[illegible])
[illegible]	419.7
Profit/(loss) before tax	285.6
[illegible]	(61.[illegible])
Profit/(loss) for the year from continuing operations	224.1
Discontinued operations	
[illegible]	3.1
Total profit for the year	*227.2*
Attributable to	
[illegible]	224.7
[illegible]	2.5
	227.2
Earnings/(loss) per share	
[illegible]	13.33 p
[illegible]	13.15 p
[illegible]	13.52 p
[illegible]	13.33 p

[illegible]	139.1
[illegible]	93.5
[illegible]	1.61 p
[illegible]	1.59 p

For the year ended 31 December 2021	[illegible]
Total profit for the year	227.2
Other comprehensive expense	
Items that will not be reclassified subsequently to the income statement	
[illegible]	109.4
[illegible]	(18.1)
[illegible]	0.1
Items that will or may be reclassified subsequently to the income statement	
[illegible]	3.0
[illegible]	(2.8)
[illegible]	1.3
[illegible]	0.6
[illegible]	2.2
Other comprehensive income (expense) for the year net of tax	95.7
Total comprehensive income (expense) for the year net of tax	322.9
Attributable to	
[illegible]	320.5
[illegible]	2.4
	322.9

At 31 December [illegible]

	Note	[illegible]	[illegible]
Non-current assets			
[illegible]	[illegible]	129.0	[illegible]
[illegible]	[illegible]	147.3	[illegible]
[illegible]	[illegible]	951.7	[illegible]
[illegible]	[illegible]	287.9	[illegible]
[illegible]		0.7	[illegible]
[illegible]	[illegible]	286.7	[illegible]
[illegible]	[illegible]	107.2	[illegible]
[illegible]	[illegible]	176.0	[illegible]
[illegible]		13.3	[illegible]
[illegible]	[illegible]	15.7	[illegible]
		2,115.5	[illegible]
Current assets			
[illegible]	[illegible]	17.5	[illegible]
[illegible]	[illegible]	138.8	[illegible]
[illegible]	[illegible]	547.1	[illegible]
[illegible]	[illegible]	317.6	[illegible]
[illegible]		5.9	
		1,026.9	[illegible]
Total assets		3,142.4	[illegible]
Current liabilities			
[illegible]	[illegible]	542.2	
[illegible]		669.8	
[illegible]	[illegible]	231.9	
[illegible]	[illegible]	61.6	[illegible]
[illegible]	[illegible]	81.1	[illegible]
[illegible]	[illegible]	286.3	[illegible]
[illegible]	[illegible]	126.6	[illegible]
		1,999.5	[illegible]
Non-current liabilities			
[illegible]	[illegible]	15.4	[illegible]
[illegible]		124.9	[illegible]
[illegible]	[illegible]	386.8	
[illegible]	[illegible]	291.9	[illegible]
[illegible]		5.9	
		11.0	[illegible]
[illegible]		7.5	
		846.[illegible]	[illegible]
Total liabilities		2,[illegible]	
Net assets [illegible]		296.5	
Capital [illegible]			
[illegible]		11.[illegible]	
		[illegible]	
		[illegible]	
[illegible]		[illegible]	
		[illegible]	
		[illegible]	
[illegible]		271.5	
		[illegible]	
[illegible]		296.[illegible]	

Jon Lewis

Tim Weller

	31.5	1,143.3	(11.2)	1.8	(1,289.5)	(13.4)	(134.5)	53.4	(81.1)
	-	-			224.7	-	224.7	2.5	227.2
		-			91.4	4.4	95.8	(0.1)	95.7
	–	—			316.1	4.4	320.5	2.4	322.9
	-	–	–	-	1.6	–	1.6	—	1.6
	–	—		-	(6.4)	—	(6.4)	6.4	–
	-	—	–	–	–	—	—	(3.4)	(3.4)
	—	—	3.5		(3.5)	—	—		
	0.3		(0.3)	–	—	–	-	-	-
	-	2.2		–	–	—	2.2	–	2.2
		–			–			(36.8)	(36.8)
		–			91.1	-	91.1		91.1
	34.8	1,145.5	(8.0)	1.8	(890.6)	(9.0)	274.5	22.0	295.5

Share capital

Share premium

Employee benefit trust and treasury shares

Capital redemption reserve

Retained deficit

Other reserves

Noncontrolling interests (NCI)

For the year ended 31 December [illegible]

Cash generated from operations	(121.3)	[illegible]
[illegible]		[illegible]
[illegible]	(17.7)	[illegible]
[illegible]	(40.1)	[illegible]
Net cash (outflow)/inflow from operating activities	(179.1)	[illegible]
Cash flows from investing activities		
[illegible]	(25.6)	[illegible]
[illegible]	(32.5)	[illegible]
[illegible]	0.1	[illegible]
[illegible]		
[illegible]	(0.1)	[illegible]
[illegible]	0.3	
[illegible]		[illegible]
[illegible]		[illegible]
[illegible]	(1.7)	[illegible]
[illegible]	0.5	[illegible]
[illegible]	483.1	[illegible]
[illegible]	(25.9)	
Net cash inflow/(outflow) from investing activities	395.2	[illegible]
Cash flows from financing activities		
[illegible]	(10.8)	[illegible]
[illegible]	(82.6)	[illegible]
[illegible]	2.2	
[illegible]	(232.3)	[illegible]
[illegible]	46.0	
[illegible]	19.7	[illegible]
[illegible]	(1.9)	
Net cash outflow from financing activities	(259.7)	[illegible]
(Decrease)/increase in cash and cash equivalents	(43.6)	
[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	
Cash and cash equivalents at 31 December	[illegible]	[illegible]
Cash and cash equivalents comprise:		
[illegible]	[illegible]	
[illegible]	[illegible]	
[illegible]	[illegible]	
Total	[illegible]	

Denotes acc...

Statement of compliance

Basis of consolidation

Going concern

Financial position at 31 December 2021

Board assessment

Significant accounting judgements, estimates and assumptions

Denotes significant accounting judgements, estimates and assumptions

New standards and interpretations adopted

New amendments or interpretation

Specific policies applicable from 1 January 2021 for interest rate benchmark reform

New standards and interpretations not yet adopted

International Accounting Standards (IAS/IFRS)

AP Denotes accounting policies

Denotes significant accounting judgements, estimates and assumptions

Reported revenue

Reported free cash flow

Reported profit before tax

Reported earnings per share (EPS) – continuing operations

Adjusted free cash flow

Adjusted revenue

Adjusted profit before tax

Adjusted earnings per share (EPS)

Revenue

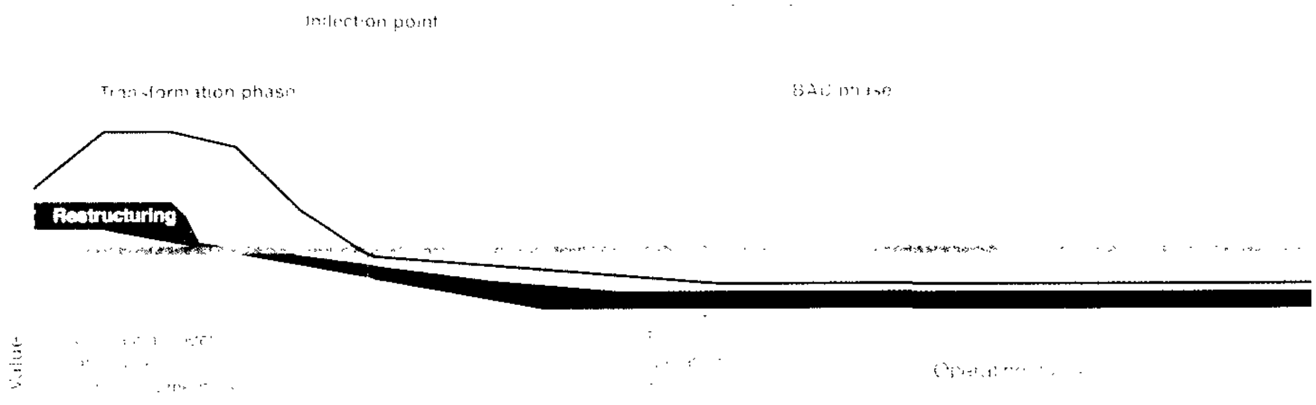
Profit before tax

Adjusted operating profit to adjusted free cash flow[1]

[illegible]	[illegible]
[illegible]	[illegible]
Adjusted EBITDA	[illegible]
[illegible]	(123.5)
[illegible]	13.6
Adjusted cash generated from operations	185.4
[illegible]	(51.3)
[illegible]	(56.0)
Adjusted free cash flow	78.1

[illegible]	2 156 9	[illegible]
[illegible]	794.7	[illegible]
[illegible]	286 7	[illegible]
[illegible]	45 8	[illegible]

Background



Assessing contract profitability

[illegible]

Recoverability of contract fulfilment assets and completeness of onerous contract provisions

[illegible]

AP Accounting policies

Revenue

[illegible]

Contract modifications

Licences

Deferred and accrued income

Contract types

Long-term contractual – greater than two years

Short-term contractual – less than two years

Transactional (point-in-time) contracts

2.2.1 Segmental revenue

	Capita Public Service £m	[illegible] £m	Capita Portfolio £m	Capita plc £m	Total adjusted £m	Adjusting items £m	Total reported £m
Continuing operations							
[illegible]	1 223 9	891 3	38 7	--	2 156 9	146.3	2.303.2
[illegible]	122 2	236 7	143 5		502.4	27.6	530 0
[illegible]	64 3	53 7	231 2		349 2	0 1	349 3
Total segment revenue	1.410.4	1 184 7	413 4	--	3.008 5	174.0	3.182 5
[illegible]	1 449 3	1 219 6	557 4		3.226 3	—	3 226.3
[illegible]	(38 9)	(34.9)	(144 0)	-	(217 8)	--	(217.8)
Total adjusted segment revenue	1.410 4	1.184.7	413 4	--	3 008 5	—	3.008.5
[illegible]	—	-	174.0	--		174.0	174.0
Total segment revenue	1 410 4	1 184 7	587.4	--	3 008.5	174.0	3.182 5

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	[illegible] 112 [illegible]	[illegible]	478 7		5 840 7
	173 [illegible]	[illegible]	[illegible]8 6		274 7
Total	3 286 3	2 2[illegible] 8	[illegible]7 3		6 115 1

[illegible]	[illegible]
Total	[illegible]

[illegible] long-term contractual orders	Capital [illegible] £m	Capital [illegible] £m	Capital [illegible] £m	[illegible] £m	Total £m
[illegible]	711 6	799 2	145.4		1 656.2
[illegible]	1 610 6	1.150.4	199 7	—	2 960 7
[illegible]	790 5	299 7	133 6	[illegible]	1 223 8
Total	3,112 7	2,249 3	478 7		5 840 7

2 2 3 Deferred Inc[illegible]me

2.3.1 Items charged/(credited) to reported operating profit

	2021 £m
[illegible]	48.6
[illegible]	68.2
[illegible]	1.9
[illegible]	13.3
[illegible]	57.7
[illegible]	58.7
[illegible]	16.1
[illegible]	44.1
[illegible]	0.7
[illegible]	(0.2)
[illegible]	118.3
[illegible]	107.8
[illegible]	(4.7)
[illegible]	(7.5)
[illegible]	32.0

Contract fulfilment asset utilisation, impairment and derecognition [illegible]

Contract termination gains [illegible]

The net of accelerated deferred income unwind and contract fulfilment asset utilisation [illegible]

Onerous contract provisions [illegible]

2.3.2 Fees payable to auditors

[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]

[illegible]	(86.6)	285.6
[illegible]	12.0	12.0
[illegible]	11.5	11.5
[illegible]	(9.3)	(9.3)
[illegible]	–	1.4
[illegible]	20.1	(399.1)
[illegible]	–	–
[illegible]	43.1	43.1
[illegible]	148.3	148.3
Adjusted	139.1	93.5

Amortisation and impairment of acquired intangible assets

Impairment of goodwill

Litigation and claims

Net finance costs

Business exits

Business exits - on-hold disposal cost

Contract-related provisions and impairments

Significant restructuring

• Cost to realise cost savings and efficiencies from the transformation plan £74m (2020: £65m)

• Professional fees £8m (2020: £3m)

• Transformation of central Group functions £66m (2020: £15m)

[illegible] impact of Covid [illegible]

[illegible]	98.[illegible]	[illegible]	23.8	[illegible]	[illegible]	–	[illegible]
[illegible]	(5.1)	(12.0)	(3.2)	[illegible]		(148.3)	(148.3)
[illegible]		–	50.8			50.8	50.8
Total trading result	93.2	57.1	71.4	[illegible]	139.1	(97.5)	41.6
[illegible]							
[illegible]					–	(70.9)	(70.9)
[illegible]					—	(57.3)	(57.3)
Operating profit (loss)					139.1	*(225.7)*	*(86.6)*

Geographical location

	United Kingdom £m	Other £m	Total £m
[illegible]	1,791.3	27.7	1,819.0

[illegible]

2.6.1 Income tax charge

[illegible]

[illegible]	[illegible]	[illegible]
[illegible]		
	[illegible]	[illegible]
	[illegible]	[illegible]
[illegible]		
	[illegible]	[illegible]
	[illegible]	[illegible]
	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]

[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]
	15.5

	[illegible]	[illegible]
[illegible]	285.6	285.6
[illegible]	54.3	54.3
[illegible]	3.8	3.8
[illegible]	(6.6)	-
[illegible]	3.7	3.7
[illegible]	1.5	1.5
[illegible]	(1.1)	(1.1)
[illegible]	(51.7)	(51.7)
[illegible]	11.4	11.4
[illegible]	(39.0)	
[illegible]	1.1	3.2
[illegible]	(0.1)	(0.1)
[illegible]	84.2	
[illegible]	—	2.0
[illegible]	-	0.2
[illegible]	—	7.8
[illegible]	61.5	31.0
Tax (credit) charge reported in the income statement	61.5	31.0

2.6.2 Deferred tax

[illegible]

		Credited/(charged) to			
	[illegible]	Income statement £m	OCI and equity £m	Other movements £m	At 31 December £m
Deferred tax assets					
[illegible]	[illegible]	0.6		3.9	77.3
[illegible]	[illegible]	(4.2)		(0.4)	(0.1)
[illegible]	[illegible]	3.0	0.2	(0.2)	14.7
[illegible]	[illegible]	(2.2)	(29.6)	—	19.8
[illegible]	[illegible]	2.2		[illegible]	3.8
[illegible]	[illegible]	(36.1)	[illegible]	(11.8)	63.3
	[illegible]	(36.7)	(29.4)	(8.5)	178.8
[illegible]	[illegible]				(2.8)
[illegible]	[illegible]	(36.7)	(29.4)	(8.5)	176.0
Deferred tax liabilities					
[illegible]	[illegible]	1.2	[illegible]	0.3	(0.7)
[illegible]	[illegible]	2.8	—	2.2	(4.4)
[illegible]	[illegible]	2.1	—	—	(3.6)
	[illegible]	6.1	[illegible]	2.5	(8.7)
[illegible]	[illegible]				2.8
[illegible]	[illegible]	6.1	—	2.5	(5.9)
Net deferred tax	[illegible]	(30.6)	(29.4)	(6.0)	170.1

[illegible]

2.6.3 Uncertain tax positions

[illegible]

2.6.4 Capita's responsible approach to taxation

[illegible]

AP Accounting policies

	Continuing operations p	Total operations p
[illegible]	1.61	1.61
[illegible]	13.33	13.52
[illegible]	1.59	1.59
[illegible]	13.15	13.33

	Continuing operations £m	Total operations £m
[illegible]	93.5	93.5
[illegible]	(64.8)	(64.8)
[illegible]	28.7	28.7
[illegible]	(1.9)	(1.9)
[illegible]	26.8	26.8
[illegible]	285.6	288.7
[illegible]	(61.5)	(61.5)
[illegible]	224.1	227.2
[illegible]	(2.5)	(2.5)
[illegible]	221.6	224.7

2021 business exits

[illegible]	[illegible]	[illegible]	[illegible]
Revenue	174.0	–	174.0
[illegible]	(92.7)	–	(92.7)
[illegible]	81.3		81.3
[illegible]	(30.5)	(70.9)	(101.4)
Operating profit/(loss)	50.8	(70.9)	(20.1)
[illegible]	(0.4)	(0.1)	(0.5)
[illegible]	–	419.7	419.7
Profit/(loss) before tax	50.4	348.7	399.1
[illegible]	(9.5)	(25.4)	(34.9)
Profit (loss) after tax	40.9	323.3	364.2

2.8.1 Disposals

	0.2	
	19.9	
	65.7	
	0.1	
	2.6	
	0.1	
	8.2	
	120.2	
	(4.3)	
	(28.8)	
	(5.1)	
	(2.9)	
	(22.8)	
	(26.0)	
	(57.5)	
Net identifiable assets/(liabilities) disposed of	69.6	
	(3.4)	
	66.2	
	508.6	
	(25.5)	
Net proceeds	483.1	
	2.8	
Gain on business disposals	419.7	
Net cash inflow		
	[illegible]	
	[illegible]	
Total net cash inflow	[illegible]	

[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	
[illegible]	[illegible]
[illegible]	10.7
[illegible]	5.1
[illegible]	5.7
[illegible]	[illegible]
[illegible]	[illegible]
Disposal group assets held-for-sale	138.8
[illegible]	1.6
[illegible]	1.6
[illegible]	3.4
[illegible]	69.8
[illegible]	–
[illegible]	2.3
[illegible]	2.4
Disposal group liabilities held-for-sale	81.1

Business exit cash flows

[illegible]

2.10.1 Additional cash flow information

[illegible]

	[illegible]	[illegible]	[illegible]	[illegible]
Cash flows from operating activities				
[illegible]	139.1	(86.6)	[illegible]	
Adjustments for non-cash items				
[illegible]	116.3	117.1	[illegible]	[illegible]
[illegible]	36.8	57.7	[illegible]	[illegible]
[illegible]	1.2	1.2	[illegible]	[illegible]
[illegible]	8.9	8.9	[illegible]	[illegible]
[illegible]	0.7	0.7	[illegible]	[illegible]
[illegible]	—	44.1		[illegible]
[illegible]	2.9	90.0		
Other adjustments				
[illegible]	11.4	21.9	[illegible]	[illegible]
[illegible]		(155.5)		[illegible]
[illegible]	(8.4)	(8.4)	[illegible]	[illegible]
Movements in working capital				
[illegible]	(7.1)	(1.2)	[illegible]	
[illegible]		[illegible]		
[illegible]	[illegible]	14.2	[illegible]	
[illegible]		[illegible]		
[illegible]	[illegible]	[illegible]		
[illegible]	[illegible]	[illegible]		
Cash generated from operations	[illegible]	[illegible]		[illegible]
[illegible]				
[illegible]	[illegible]	[illegible]		
[illegible]	[illegible]	[illegible]		[illegible]
[illegible]	[illegible]	[illegible]		
[illegible]		[illegible]		
[illegible]	[illegible]	[illegible]		
[illegible]	[illegible]	[illegible]		
[illegible]		[illegible]		

[illegible]	[illegible]	[illegible]
	155.5	155.5
	68.6	68.6
	18.5	[illegible]
	[illegible]	[illegible]
[illegible]	9.7	9.7
	[illegible]	[illegible]
Adjusted	78.1	[illegible]

Pension deficit contributions [illegible]

Significant restructuring [illegible]

Litigation and claims [illegible]

Business exits [illegible]

Business exits - on hold disposal costs [illegible]

Non-recourse trade receivables financing [illegible]

VAT deferral [illegible]

Other [illegible]

2 10 3 Reconciliation of net cash flow to movement in net debt

Year ended 31 December 2021	Note	Net debt at 1 January £m	Cash flow movements £m	Non-cash movement £m	Net debt at 31 December £m
[illegible]	[illegible]	111 1	(43 6)	1 0	101 5
[illegible]	[illegible]	(2 3)	1.0	-	(1 3)
[illegible]			(46.0)	–	(46 0)
[illegible]	[illegible]	(765 1)	231 2	18 0	(512 9)
[illegible]	[illegible]	57 5	(19 7)	(9 8)	28 0
[illegible]	[illegible]	0 5	-	(0 5)	–
[illegible]	[illegible]	(508 1)	82.6	(22.9)	(448 4)
Total net liabilities from financing activities		(1 217 5)	252 1	(15 2)	(980 6)
[illegible]	[illegible]	(0 7)		–	(0 7)
Net debt	[illegible]	(1,077 1)	208 5	(11 2)	(879 8)

[illegible]

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible] Section [illegible] the Group's financial instruments are contained in Section 4. Current tax [illegible] deferred tax assets [illegible] are shown in [illegible]

[illegible] this section you [illegible] about [illegible]

AP Denotes accounting policies

Denotes significant accounting judgements, estimates and assumptions

	Note	[illegible] £m		
Working capital	[illegible]	(502.8)	[illegible]	[illegible]
[illegible]	[illegible]	562.8	[illegible]	[illegible]
[illegible]	[illegible]	(557.6)	[illegible]	[illegible]
[illegible]		(794.7)	[illegible]	[illegible]
[illegible]	[illegible]	286.7	[illegible]	
Property, plant and equipment		129.0		[illegible]
Intangible assets		147.3	[illegible]	[illegible]
Goodwill		951.7	[illegible]	[illegible]
Right-of-use assets		287.9	[illegible]	[illegible]
Provisions	[illegible]	(140.6)	[illegible]	[illegible]

3.1.1 Trade and other receivables

AP Accounting policies

Trade receivables. [illegible]

Impairment [illegible]

Derecognition [illegible]

Accrued income [illegible]

	2021		2021	
[illegible]	232.0	[illegible]		
[illegible]	43.4	[illegible]	4.0	[illegible]
[illegible]	23.7	[illegible]		
[illegible]	169.5	[illegible]	2.7	[illegible]
[illegible]	78.5	[illegible]	9.0	[illegible]
	547.1	[illegible]	15.7	[illegible]

[illegible]

	[illegible]
	[illegible]
	[illegible]
	11.4
	[illegible]
	[illegible]
	232.0

Non-recourse financing [illegible] facilities

[illegible]

3.1.2 Trade and other payables

[illegible]	153.7	[illegible]		
[illegible]	26.7	[illegible]	11.3	
[illegible]	122.9	[illegible]		[illegible]
[illegible]	238.9	[illegible]	4.1	[illegible]
	542.2	[illegible]	15.4	[illegible]

[illegible]

3.1.3 Contract fulfilment assets

AP Accounting policies

Utilisation

Derecognition

Impairment

Significant accounting judgements, estimates and assumptions

Derecognition

	Leasehold improvements, land and buildings £m	Plant and machinery £m	Total £m
Cost			
[illegible]	103.3	193.2	296.5
[illegible]	8.1	17.5	25.6
[illegible]		(0.8)	(0.8)
[illegible]	(1.6)	(10.3)	(11.9)
[illegible]	(0.8)	(0.1)	(0.9)
[illegible]	(0.1)	(0.6)	(0.7)
[illegible]		(1.9)	(1.9)
[illegible]	(8.9)	(25.8)	(34.7)
[illegible]	(0.4)	(2.1)	(2.5)
[illegible]	99.6	169.1	268.7
Depreciation and impairment			
[illegible]	41.6	97.7	139.3
[illegible]	9.4	38.7	48.1
[illegible]	-	0.5	0.5
[illegible]		(0.6)	(0.6)
[illegible]	(1.3)	(10.1)	(11.4)
[illegible]	(0.8)	(0.1)	(0.9)
[illegible]	-	0.8	0.8
[illegible]	0.6	0.5	1.1
[illegible]	(0.1)	(0.2)	(0.3)
[illegible]	-	(0.4)	(0.4)
[illegible]	(8.9)	(25.8)	(34.7)
[illegible]	-	(1.8)	(1.8)
[illegible]	40.5	99.2	139.7
Net book value			
[illegible]	61.7	95.5	157.2
[illegible]	59.1	69.9	129.0

AP Accounting policies

Amortisation

Impairment

Derecognition

The measurement of intangible assets other than goodwill in a business combination.

Significant accounting judgements, estimates and assumptions

The assessment of costs capitalised as intangible assets to generate future economic benefits

[illegible]			
	[illegible]	[illegible]	[illegible]
	[illegible]	[illegible]	[illegible]
		[illegible]	32.5
		(3.5)	(3.5)
		(2.9)	(2.9)
	[illegible]	[illegible]	(23.2)
		1.9	1.9
	[illegible]	[illegible]	(145.1)
	(0.5)	(0.7)	(1.2)
[illegible]	55.4	222.7	278.1
Amortisation and impairment			
	135.4	88.1	223.5
	–	36.8	36.8
	12.0	–	12.0
	4.9	4.0	8.9
	–	2.1	2.1
		54.1	54.1
	–	2.5	2.5
	(46.5)	(2.4)	(48.9)
	–	(3.2)	(3.2)
		(2.9)	(2.9)
	(5.7)	(3.1)	(8.8)
		0.4	0.4
	(50.3)	(94.8)	(145.1)
	(0.2)	(0.4)	(0.6)
	49.6	81.2	130.8
Net book value			
	38.9	226.1	265.0
	5.8	141.5	147.3

AP Accounting policies

[illegible]

Significant accounting judgements, estimates and assumptions

Measurement and impairment of goodwill [illegible]

Cost		
[illegible]	1 918.5	[illegible]
[illegible]	[illegible]	
[illegible]	(177.3)	[illegible]
[illegible]	[illegible]	[illegible]
[illegible]	1 676.8	[illegible]
[illegible]		
[illegible]	[illegible]	
[illegible]	[illegible]	
[illegible]	[illegible]	
[illegible]	[illegible]	

Cash generating units

CGU										
	—				—	—		—	(65.7)	[illegible]
				[illegible]			—	—	(36.9)	[illegible]
		—		—	—	—	—	(11.5)	—	(11.5)
	—	—		(4.6)	—	—			—	(4.6)
	—	1.3		—	—		—	—		1.3
At 31 December	284.6	220.2	100.5	38.7	82.6	32.6	102.8	68.7	15.0	951.7

Business exits

The impairment test

Forecast cash flows

Discount rates

[illegible]

2021	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Sensitivity analysis

[illegible]

	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]				
Total	(4.9)	(3.1)	(78.3)	(157.6)

[illegible]

[illegible]	18.2	4.2		22.4
[illegible]	(55.1)	(6.5)	(6.6)	(68.2)
[illegible]	(13.0)	—	(0.3)	(13.3)
[illegible]	(2.2)	—	(1.0)	(3.2)
[illegible]	(1.7)	0.4		(1.3)
[illegible]	9.4	0.4	(0.4)	9.1
At 31 December 2021	265.6	15.4	6.9	287.9

AP Accounting policies

Significant accounting judgements, estimates and assumptions

Onerous contract provisions

Provisions

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	0.2	–	–	0.8	0.1	(1.1)	–
[illegible]	24.6	8.3	7.1	4.0	62.5	9.7	116.2
[illegible]	(1.6)	(5.4)	(6.2)	(3.4)	(9.1)	(1.8)	(27.5)
[illegible]	(11.1)	(16.7)	(29.4)	(0.4)	(6.9)	(5.6)	(70.1)
[illegible]	–	–	–		–	(2.4)	(2.4)
At 31 December	23.6	[illegible]	13.2	[illegible]	[illegible]	5.9	110.6

Restructuring [illegible]

[illegible]

Claims and litigation [illegible]

Other provisions: [illegible]

This section outlines the Group's capital structure and financing costs. The Group defines its capital structure as its cash and cash equivalents, non-current interest bearing loans and borrowings and equity. The Group aims to manage its capital structure to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns to shareholders and benefits for other stakeholders. The Group manages its capital structure to maintain a sustainable mix of debt and equity that ensures that the Group can pursue its strategy. The Group makes adjustments to its capital structure in light of changes in economic conditions and strategic operational risk. To maintain or adjust the capital structure, the Group may return capital to shareholders through dividends and share buy backs, sell assets, raise additional equity or arrange additional debt facilities. In this section you will find disclosures about:

AP Denotes accounting policies

Denotes significant accounting judgements, estimates and assumptions

Headline gearing[1] headline net debt to adjusted EBITDA (post IFRS 16)

Available liquidity

392.4

Capital strategy

[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	448.3
[illegible]	[illegible]
[illegible]	16.0
[illegible]	1.8
[illegible]	(28.0)
[illegible]	6.7
Net debt	879.8
[illegible]	345.7
Capital	1 225.5

4.1.2 Capital Management

Financial risk management objectives and policies

4.2.1 Liquidity risk

4.2.2 Foreign currency risk

2021	(3.3)	(5.3)

4.2.3 Interest rate risk

Non-derivative financial liabilities

Derivatives

Hedge accounting

At 31 December [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Fixed rate							
[illegible]	123.8	27.6		30.0	18.8	74.5	271.7
Floating rate							
[illegible]	(333.4)	-		-			(333.4)
[illegible]	231.9	—	--			-	231.9
[illegible]	102.6	41.8	-	57.0	14.3	22.5	238.2
[illegible]	(9.3)	(4.0)	-	(11.0)	1.0	(4.7)	(28.0)

Fixed rate

Floating rate

4.2.4 Hedges

Fair value hedges

Cash flow hedge

[illegible]	(1.8)
[illegible]	[illegible]
[illegible]	0.6
[illegible]	2.2
[illegible]	(0.7)

4.2.5 Credit risk

Interest income	
[illegible]	(0.4)
[illegible]	(4.3)
Total interest income	(4.7)
Interest expense	
[illegible]	17.9
[illegible]	0.6
[illegible]	5.9
[illegible]	23.8
[illegible]	1.5
Total interest expense	49.7
Net finance expense included in adjusted profit	45.0
Included within business exits	
[illegible]	0.4
[illegible]	0.4
[illegible]	(0.3)
[illegible]	[illegible]
Other items excluded from adjusted profits	
[illegible]	1.5
[illegible]	(0.1)
Net finance expenses excluded from adjusted profit	1.9
Total net finance expense	46.9

The Group as lessor

Sale and leaseback

4.4.1 The Group as a lessee

Amounts recognised on the balance sheet	2021 £m	[illegible]	Type of financial instrument
[illegible]	448.4	[illegible]	[illegible]
[illegible]	–	4.6	
Total	448.4	[illegible]	

[illegible]

[illegible]

4.4.2 The Group as a lessor

Amounts recognised on the balance sheet	2021 £m	[illegible]	Type of financial instrument
[illegible]	82.1	[illegible]	[illegible]

[illegible]

	2021 £m	[illegible]
Within 1 year	10.8	[illegible]
Between 1-2 years	9.6	[illegible]
Between 2-3 years	9.6	9.7
Between 3-4 years	8.2	[illegible]
Between 4-5 years	7.7	[illegible]
More than 5 years	73.0	[illegible]
[illegible]	118.9	[illegible]
[illegible]	(36.8)	[illegible]
Net investment in lease receivables	82.1	[illegible]

[illegible]

[illegible]

Financial instruments – [illegible] instruments

[illegible]

Equity instruments

[illegible]

Derivatives

[illegible]

4.5.1 Fair value hierarchy

[illegible]

- [illegible]
- [illegible]
- [illegible]

[illegible]

4.5.2 Financial instruments and their fair value hierarchy classification

[illegible]

At 31 December 20[illegible]	Note	Fair value hierarchy	FVPL £m	FVOCI £m	Derivatives used for hedging £m	Amortised cost £m	Total £m	Current £m	Non-current £m
Financial assets									
[illegible]	[illegible]	[illegible]	—	—	—	82.1	82.1	6.6	75.5
[illegible]	[illegible]	[illegible]	—	—	0.9	—	0.9	0.7	0.2
[illegible] swaps		Level 2	1.8	—	—	—	1.8	0.8	1.0
[illegible]	[illegible]	Level 2	—	—	30.2	—	30.2	9.4	20.8
[illegible]		[illegible]	8.9	—	—	—	8.9	—	8.9
Other investments		[illegible]	—	0.8	—	—	0.8	—	0.8
			10.7	0.8	31.1	82.1	124.7	17.5	107.2
Other financial assets									
[illegible]	[illegible]	[illegible]	—	—	—	317.6	317.6	317.6	—
[illegible]	[illegible]	[illegible]	—	[illegible]		15.8	15.8	15.8	—
Total financial assets			10.7	0.8	[illegible]	415.5	458.1	350.9	107.2
Financial liabilities									
[illegible]		[illegible]	—	—		512.9	512.9	226.3	286.6
[illegible]		[illegible]	[illegible]	[illegible]		1.3	[illegible]	0.3	1.0
[illegible]	[illegible]	[illegible]	—		[illegible]	46.0	46.0	46.0	—
[illegible]	[illegible]	[illegible]	—	[illegible]	1.8	—	1.8	0.8	1.0
[illegible]		[illegible]	4.7			—	4.7	4.3	0.4
[illegible]		[illegible]			2.2		2.2	—	2.2
[illegible]		[illegible]				0.7	0.7	—	0.7
[illegible]		[illegible]	—	8.6		—	8.6	8.6	—
			4.7	8.6	4.0	[illegible]	578.2	286.3	291.9
Other financial liabilities									
[illegible]	[illegible]	[illegible]	—	—		231.9	231.9	231.9	—
[illegible]	[illegible]	[illegible]		—		448.4	448.4	61.6	386.8
Total financial liabilities			4.7	8.6	4.0	1,241.2	1,258.5	579.8	678.7

[illegible]

Financial assets

Total financial assets

Total financial liabilities

[illegible]

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	—	—	—	—
[illegible]	—	(4.7)	—	—
[illegible]	—	—	(91.1)	—
[illegible]	—	—	—	0.3
[illegible]		—	—	4.3
[illegible]		—	—	2.2
[illegible]	—	—	—	0.1
[illegible]	—	0.4	—	—
[illegible]	—	(22.8)	—	—
At 31 December 2021	—	—	8.6	9.7

4.5.3 Borrowings

[illegible]

Maturity	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
Total GBP denominated	[illegible]		[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
Total USD denominated	[illegible]		[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
Total euro denominated	[illegible]		[illegible]

[illegible]

[illegible] 4 Cash, cash equivalents and overdrafts

[illegible]

[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]
Cash, cash equivalents and overdrafts	[illegible]

[illegible]

[illegible]	2021 Nº m	[illegible]	2021 £m	[illegible]
[illegible]				
[illegible]	1,671.1	[illegible]	34.5	[illegible]
[illegible]	13.0	[illegible]	0.3	[illegible]
[illegible]	1,684.1	[illegible]	34.8	[illegible]

[illegible]	2021 £m	[illegible]
[illegible]		
[illegible]	1,143.3	[illegible]
[illegible]	2.2	[illegible]
[illegible]	1,145.5	[illegible]

[illegible]

Treasury shares	2021 Nº m	[illegible]	2021 £m	[illegible]
[illegible]				
[illegible]	2.3	[illegible]	(0.1)	[illegible]
[illegible]	(2.3)	[illegible]	0.1	[illegible]
[illegible]	—	[illegible]	—	[illegible]

[illegible]

Employee benefit trust shares	2021 Nº m	[illegible]	2021 £m	[illegible]
[illegible]				
[illegible]	12.6	[illegible]	(11.1)	[illegible]
[illegible]	13.0	[illegible]	(0.3)	[illegible]
[illegible]	(7.5)	[illegible]	3.4	[illegible]
[illegible]	18.1	[illegible]	(8.0)	[illegible]

[illegible]

This section details [illegible] that are not explained elsewhere in the financial statements.

In this section you will find [illegible]

AP Denotes [illegible]

[illegible] estimates and assumptions

£155.5m [illegible]

£1,767.[illegible]

Net defined benefit pension asset / (deficit)	2021 £m		
Defined benefit obligation	(1,789.2)	[illegible]	[illegible]
Fair value of plan assets	1,797.3	[illegible]	[illegible]
Net defined pension asset/(liability) before effect of asset ceiling limit	8.1	[illegible]	[illegible]
Effect of asset ceiling	(2.3)		[illegible]
Net defined pension asset/(liability) after effect of asset ceiling limit	5.8	[illegible]	[illegible]

[illegible]

AP [illegible]

[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

Deferred annual bonus plan

[illegible]

[illegible]

[illegible]

[illegible]

Long term incentive plans (LTIPs)

[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

	2021 £m
[illegible]	48.5
[illegible]	(5.8)
[illegible]	(9.8)
[illegible]	(9.1)
[illegible]	35.1
[illegible]	–

[illegible]

Other schemes

[illegible]

AP Accounting policies

Defined contribution pension schemes

[illegible]

Defined benefit pension schemes

[illegible]

Significant accounting judgements, estimates and assumptions

[illegible]

Pension expense included in the consolidated income statement

	[illegible]	[illegible]
Defined contribution scheme	107.8	[illegible]
Defined benefit schemes		
[illegible]	6.3	[illegible]
[illegible]	3.5	
[illegible]	(0.2)	[illegible]
[illegible]	(0.7)	[illegible]
[illegible]	1.5	[illegible]
Total defined benefit schemes	10.4	
Total charged to profit before tax in the consolidated income statement	118.2	[illegible]

[illegible]

The Capita Pension and Life Assurance Scheme (CPLAS)

[illegible]

Other defined benefit schemes

Admitted Body arrangement

Additional defined benefit schemes

[illegible]

Risks associated with the Group's pension schemes

[illegible]

Investment risk [illegible]

Interest rate risk [illegible]

Inflation risk [illegible]

Longevity risk [illegible]

[illegible]

	[illegible]
[illegible]	1,789.2
[illegible]	1,824.6
[illegible]	1,789.8
[illegible]	1,807.9
[illegible]	1,860.1

[illegible]						
[illegible]	1.0	3.1	4.1	[illegible]	[illegible]	[illegible]
[illegible]	7.0	76.5	83.5		[illegible]	[illegible]
[illegible]	0.5	—	0.5			
	8.5	79.6	88.1	[illegible]	[illegible]	[illegible]
Debt securities:						
[illegible]	789.1	0.2	789.3	[illegible]	[illegible]	[illegible]
[illegible]	1.1	7.6	8.7		[illegible]	[illegible]
[illegible]	2.6	53.4	56.0	[illegible]	[illegible]	[illegible]
[illegible]	1.2	67.8	69.0	[illegible]	[illegible]	[illegible]
[illegible]	1.4	–	1.4		[illegible]	[illegible]
[illegible]	—	129.5	129.5		[illegible]	[illegible]
[illegible]	0.1	–	0.1			
	795.5	258.5	1,054.0	[illegible]	[illegible]	[illegible]
[illegible]	2.8	97.5	100.3		[illegible]	[illegible]
[illegible]	1.5		1.5	[illegible]		[illegible]
[illegible]	[illegible]	[illegible]	[illegible]			[illegible]
[illegible]	[illegible]	[illegible]	[illegible]		[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]			
[illegible]	[illegible]	[illegible]	[illegible]			[illegible]
[illegible]		[illegible]	[illegible]		[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]		[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]		[illegible]	
	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total	[illegible]	[illegible]	[illegible]		[illegible]	[illegible]

[illegible]

[illegible]

[illegible]

IFRIC 14

[illegible]

Reconciliation of retirement benefits

[illegible]

[illegible]

- [illegible]
- [illegible]
- Administration costs [illegible] over the current period.
- Interest expense [illegible] the interest on pension liabilities [illegible] the start of the period. [illegible]

	Defined benefit obligation		Fair value of plan assets		Net defined benefit	
	2021	2020	2021	2020	2021	2020
At 1 January	[illegible]	[illegible]	1,639.2	[illegible]	(252.[illegible])	[illegible]
Included in consolidated income statement						
[illegible]	[illegible]				[illegible]	
[illegible]	[illegible]				[illegible]	
[illegible]	[illegible]				[illegible]	
[illegible]	[illegible]		[illegible]		[illegible]	
[illegible]	[illegible]		[illegible]		[illegible]	
Sub-total in consolidated income statement	[illegible]		[illegible]		[illegible]	
Included in other comprehensive income						
[illegible]	[illegible]				[illegible]	
[illegible]	[illegible]				[illegible]	
[illegible]	[illegible]				[illegible]	
[illegible]	[illegible]				[illegible]	
[illegible]			34.8	[illegible]	[illegible]	
Sub-total in other comprehensive income	[illegible]		34.8	[illegible]	109.1	[illegible]
[illegible]			[illegible]	[illegible]	153.3	[illegible]
[illegible]	(1.6)		1.6	[illegible]	—	
[illegible]	48.8	[illegible]	(48.8)	[illegible]	—	
[illegible]	0.6	[illegible]	(0.6)	[illegible]	—	[illegible]
At 31 December	(1,791.5)	[illegible]	1,797.3	[illegible]	5.8	[illegible]
[illegible]						
[illegible]	(1,725.3)		1,732.5		7.2	
[illegible]	(23.8)	[illegible]	29.9	[illegible]	5.1	[illegible]
	(1,749.1)	[illegible]	1,762.4	[illegible]	13.3	[illegible]
[illegible]						
[illegible]			—	[illegible]		[illegible]
[illegible]	(42.4)	[illegible]	[illegible]	[illegible]	(7.5)	[illegible]
	(42.4)	[illegible]	[illegible]	1,601.8	(7.5)	(255.2)
At 31 December	(1,791.5)	[illegible]	1,797.3	[illegible]	5.8	[illegible]

Financial and demographic assumptions

[illegible]	[illegible]	[illegible]
[illegible]	0.30	[illegible]
[illegible]	2.6[illegible]	[illegible]
[illegible]	2.80	[illegible]
[illegible]		
[illegible]	[illegible].20	[illegible]
[illegible]	2.20	[illegible]
[illegible]	2.05	[illegible]
[illegible]	[illegible].90	[illegible]
[illegible]	85.00	[illegible]

	Member currently aged [illegible] life expectancy [illegible]				Member currently aged 45 life expectancy [illegible]			
	Male		Female		Male		Female	
	2021	[illegible]	2021	[illegible]	2021	[illegible]	2021	[illegible]
[illegible]	22.5	22.5	24.4	[illegible]	22.4	22.4	25.3	[illegible]
[illegible]	21.6 to 22.6	[illegible]	23.5 to 24.4	[illegible]	22.4 to 24.9	[illegible]	25.1 to 26.4	[illegible]

AP Accounting policies

Government grants

	2021 £m	
[illegible]	1 493.3	[illegible]
[illegible]	155.[illegible]	[illegible]
[illegible]	116.7	[illegible]
[illegible]	[illegible].2	[illegible]
	1 767.1	[illegible]

- [illegible]
- [illegible]
- [illegible]

[illegible]	2021 Number	[illegible]
[illegible]	766	[illegible]
[illegible]	3 259	[illegible]
[illegible]	49 305	[illegible]
	53 330	[illegible]

This section includes disclosures ... not explained elsewhere in the financial statements.

In this section you will find disclosures on:

AP Denotes accounting policy

Compensation of key management ...

Disposal of AMT Sybex

Disposal of Secure Solutions and Services (SSS)

Disposal of Trustmarque

[illegible]

AP Denotes accounting policies

Denotes significant accounting judgements, estimates and assumptions

		[illegible]	[illegible]
Non-current assets			
[illegible]		26.8	[illegible]
[illegible]	[illegible]	15.2	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	22.0	[illegible]
[illegible]	[illegible]	12.7	[illegible]
[illegible]	[illegible]	0.1	[illegible]
		1,022.1	[illegible]
Current assets			
[illegible]	[illegible]	10.9	[illegible]
[illegible]		2,619.8	[illegible]
[illegible]	[illegible]	13.1	8.6
[illegible]		59.3	[illegible]
[illegible]		—	[illegible]
		2,703.1	[illegible]
Total assets		3,725.2	[illegible]
Current liabilities			
[illegible]		2,086.8	[illegible]
[illegible]		7.9	[illegible]
[illegible]		41.7	[illegible]
[illegible]		31.0	[illegible]
[illegible]		196.2	[illegible]
[illegible]		5.2	[illegible]
[illegible]		[illegible]	[illegible]
		2,377.0	[illegible]
Non-current liabilities			
[illegible]		0.3	[illegible]
[illegible]		51.7	[illegible]
[illegible]		3.6	[illegible]
		55.6	[illegible]
Total liabilities		2,432.6	[illegible]
Net assets		1,292.6	[illegible]
Capital and reserves			
[illegible]		34.8	[illegible]
[illegible]		(8.0)	[illegible]
[illegible]		1,145.5	[illegible]
[illegible]		1.8	[illegible]
[illegible]		44.6	[illegible]
[illegible]		(0.7)	[illegible]
[illegible]		74.6	[illegible]
Total equity		1,292.6	1,482.9

[illegible]

Jon Lewis **Tim Weller**

Share capital

Employee benefit trust and treasury shares

Share premium

Capital redemption reserve

Merger reserve

Cash flow hedging reserves

Retained earnings

Accounting policies

Basis of preparation

[illegible]

[illegible]

[illegible]

[illegible]

Significant accounting judgements, estimates and assumptions

(a) Investments in subsidiaries

The Company has investments in subsidiaries [illegible] for impairment of investments in subsidiaries are reviewed for impairment annually [illegible] circumstances indicate that the carrying value [illegible]

The Company determines whether investments in subsidiaries are impaired based on impairment indicators. [illegible] impairment test is performed. [illegible]

(b) Pension schemes

[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

… Share-based payments

… owed by/to subsidiary undertakings

Significant accounting judgements …

Cost			
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	0.8	—	0.8
[illegible]	(56.2)	(13.5)	(69.7)
[illegible]	31.8	15.7	47.5
Amortisation			
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	6.7	2.4	9.1
[illegible]	11.4	12.6	54.0
[illegible]	(56.2)	(13.5)	(69.7)
[illegible]	11.2	9.5	20.7
Net book value			
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	6.2	[illegible]

Cost				
[illegible]				
[illegible]	[illegible]	–		[illegible]
[illegible]	[illegible]	[illegible]	–	[illegible]
[illegible]	(2.5)	—	—	[illegible]
[illegible]	22.2	1.3	0.4	[illegible]
Depreciation				
[illegible]				
[illegible]	[illegible]	0.2	—	[illegible]
[illegible]	[illegible]	–	0.2	[illegible]
[illegible]	[illegible]	—	–	[illegible]
[illegible]	(2.5)	—	—	[illegible]
[illegible]	9.8	0.5	0.4	10.7
Net book value				
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	12.4	0.8	—	13.2

Net book value	
[illegible]	
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]

[illegible]	0.9	1.8	[illegible]	[illegible]
[illegible]	1.0	4.7	[illegible]	[illegible]
[illegible]		0.1	[illegible]	[illegible]
[illegible]			[illegible]	
[illegible]	30.2	2.2	[illegible]	[illegible]
	32.9	8.8		[illegible]
Analysed as:				
[illegible]	10.9	5.2	[illegible]	[illegible]
[illegible]	22.0	3.6	[illegible]	[illegible]
	32.9	8.8	[illegible]	[illegible]

[illegible]		
[illegible]	5.4	[illegible]
[illegible]	1.0	[illegible]
[illegible]	6.3	[illegible]
	12.7	[illegible]

[illegible]	2.2			
[illegible]	[illegible]		9.1	[illegible]
	[illegible]		9.1	[illegible]

[illegible]	[illegible]		
[illegible]	[illegible]	0.3	
	[illegible]	0.3	[illegible]

[illegible]	17.3	[illegible]
[illegible]	6.8	[illegible]
[illegible]	(5.9)	[illegible]
[illegible]	(12.0)	[illegible]
[illegible]	6.2	[illegible]

[illegible]	20[illegible]9	[illegible]
	18.9	
	217.9	[illegible]

	[illegible]	
	5[illegible]	
[illegible]	[illegible]	[illegible]

[illegible]

[illegible]

[illegible]

In this section

Useful websites

Capita (www.capita.com/investors)

Shareholder portal (www.capitashares.co.uk)

e-communications

Managing your shareholding

Company contact details

Registered office

Investor Relations

Company Secretariat

Company advisers

Independent auditor

Corporate brokers

Barclays Bank plc

Bankers

Corporate communications

Registrars

Income statement			
Adjusted revenue	Revenue	[illegible]	
		[illegible]	[illegible]
		[illegible]	[illegible]
		[illegible]	£3,008.5m
		[illegible]	[illegible]
Adjusted operating profit	Operating profit	[illegible]	
Adjusted operating profit margin	Operating profit margin	[illegible]	
			2021
		[illegible]	£3,008.5m
		[illegible]	£139.1m
		[illegible]	4.6%
Adjusted EBITDA	EBITDA	[illegible]	

Income statement continued

Adjusted profit before tax	Profit before tax	[illegible]		
Adjusted profit after tax	Profit after tax	[illegible]		
		[illegible]	£93.5m	[illegible]
		[illegible]	(£64.8m)	[illegible]
		[illegible]	£28.7m	[illegible]
Adjusted tax rate	Tax rate	[illegible]		
Adjusted basic earnings per share	Basic earnings per share	[illegible]		
Adjusted diluted earnings per share	Diluted earnings per share	[illegible]		

Cash flow and net debt [illegible]

Adjusted cash flows generated from operations	Cash generated from operations	[illegible]
Adjusted free cash flow	Net cash flows from operating activities	[illegible]

Cash flows and net debt continued

Net debt	Borrowings, cash, derivatives, lease liabilities and deferred consideration	[illegible]
Headroom to net debt	No direct equivalent	[illegible]
Headline gearing: net debt to adjusted EBITDA ratio	No direct equivalent	[illegible]

	Post IFRS 16		Pre IFRS 16	
	2021		2021	
[illegible]	£295.1m	[illegible]	£218.1m	[illegible]
[illegible]	£32.2m	[illegible]	£32.2m	[illegible]
[illegible]	£327.3m	[illegible]	£250.3m	[illegible]
[illegible]	£879.5m	[illegible]	£431.3m	[illegible]
[illegible]	2.7x	[illegible]	[illegible]	[illegible]

[illegible]		
[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]
[illegible]	(£2.4m)	[illegible]
[illegible]	£1.2m	[illegible]
[illegible]	£2.6m	[illegible]
[illegible]	£46.8m	[illegible]
[illegible]	£232.7m	[illegible]
[illegible]	(£8.[illegible]m)	[illegible]
[illegible]	£223.8m	[illegible]
[illegible]	£232.7m	[illegible]
[illegible]	(£22.9m)	[illegible]
[illegible]	£117.1m	[illegible]
[illegible]	£326.9m	[illegible]
[illegible]	(£77.1m)	[illegible]
[illegible]	£249.8m	[illegible]
[illegible]	(£45.0m)	[illegible]
[illegible]	£1.5m	[illegible]
[illegible]	£0.6m	[illegible]
[illegible]	(£42.9m)	[illegible]
[illegible]	£19.5m	[illegible]
[illegible]	(£23.4m)	[illegible]
5.1 Interest cover (JS FP covenant)	9.9x	[illegible]
5.2 Interest cover (other financing agreements)	9.6x	[illegible]
[illegible]	£879.5m	[illegible]
[illegible]	[illegible]	[illegible]
[illegible]	£15.5m	[illegible]
[illegible]	£54.8m	[illegible]
[illegible]	(£448.4m)	[illegible]
[illegible]	£502.0m	[illegible]
6.1 Adjusted net debt [illegible] FRS [illegible] EBITDA ratio (JS FP covenant)	[illegible]x	[illegible]
6.2 Adjusted net debt to Adjusted EBITDA [illegible] (KPI) (other financing agreements)	2.[illegible]x	[illegible]

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