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

Read more about our purpose on page 4.



Read more about our business model on pages 6 and 7.

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Our people

## Strategic report

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## Cautionary statement

The Group has prepared the Annual Report for the year ending 31 December 2022 ('the Report') and also the Strategic Report, Corporate Governance Statement and Annual Accounts for the year ended 31 December 2022 ('the Financial Statements'). The Report and the Financial Statements are prepared in accordance with the provisions of the Companies Act 2006 and the provisions of the Listing Rules. The Report and the Financial Statements are prepared on a going concern basis. The Group is not aware of any material uncertainties relating to the Group's ability to continue as a going concern. The Group is not aware of any material uncertainties relating to the Group's ability to continue as a going concern. The Group is not aware of any material uncertainties relating to the Group's ability to continue as a going concern.



# performance

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

## Financial highlights and KPIs

|                                              |                                                |                                                                 |
|----------------------------------------------|------------------------------------------------|-----------------------------------------------------------------|
| Reported revenue                             | Reported profit before tax                     | Reported free cash flow <sup>3</sup>                            |
| <b>£3,014.6m</b><br>(2021: £3,182.5m)        | <b>£61.4m</b><br>(2021: £285.6m)               | <b>£24.5m</b><br>(2021: £(264.3)m)                              |
| Adjusted revenue <sup>1</sup>                | Adjusted profit/(loss) before tax <sup>1</sup> | Free cash flow before the impact of business exits <sup>3</sup> |
| <b>£2,845.8m</b><br>(2021: £2,777.8m)        | <b>£73.8m</b><br>(2021: £(122.8)m)             | <b>£29.0m</b><br>(2021: £(218.6)m)                              |
| Reported earnings per share (continuing ops) | Adjusted earnings/loss per share <sup>2</sup>  |                                                                 |
| <b>4.47p</b><br>(2021: 13.33p)               | <b>6.20p</b><br>(2021: (7.74)p)                |                                                                 |

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

<sup>1</sup> Reported revenue includes revenue from continuing operations and revenue from discontinued operations. Adjusted revenue excludes revenue from discontinued operations and revenue from the sale of Capita's stake in Capita Health. Adjusted profit/(loss) before tax excludes the impact of business exits. Adjusted earnings/loss per share excludes the impact of business exits. Adjusted free cash flow excludes the impact of business exits.

<sup>2</sup> Adjusted earnings/loss per share is calculated as adjusted profit/(loss) before tax divided by the weighted average number of shares in issue during the period.

<sup>3</sup> Free cash flow is calculated as cash generated from operations less capital expenditure.

### Key financial highlights and KPIs

|                                              |                                                |                                                                 |                                   |
|----------------------------------------------|------------------------------------------------|-----------------------------------------------------------------|-----------------------------------|
| Reported revenue                             | Reported profit before tax                     | Reported free cash flow                                         | Total shareholder return          |
| <b>£3,014.6m</b><br>(2021: £3,182.5m)        | <b>£61.4m</b><br>(2021: £285.6m)               | <b>£24.5m</b><br>(2021: £(264.3)m)                              | <b>(33.3)%</b><br>(2021: 10.1%)   |
| Adjusted revenue <sup>1</sup>                | Adjusted profit/(loss) before tax <sup>1</sup> | Free cash flow before the impact of business exits <sup>3</sup> |                                   |
| <b>£2,845.8m</b><br>(2021: £2,777.8m)        | <b>£73.8m</b><br>(2021: £(122.8)m)             | <b>£29.0m</b><br>(2021: £(218.6)m)                              | <b>39.0m</b><br>(2021: £(218.6)m) |
| Reported earnings per share (continuing ops) | Adjusted earnings/loss per share <sup>2</sup>  |                                                                 |                                   |
| <b>4.47p</b><br>(2021: 13.33p)               | <b>6.20p</b><br>(2021: (7.74)p)                |                                                                 |                                   |
|                                              |                                                | Cash generated from operations                                  |                                   |
|                                              |                                                | <b>37/24%</b><br>(2021: 37/24%)                                 | <b>71%</b><br>(2021: 71%)         |

<sup>1</sup> Reported revenue includes revenue from continuing operations and revenue from discontinued operations. Adjusted revenue excludes revenue from discontinued operations and revenue from the sale of Capita's stake in Capita Health. Adjusted profit/(loss) before tax excludes the impact of business exits. Adjusted earnings/loss per share excludes the impact of business exits. Adjusted free cash flow excludes the impact of business exits.

<sup>2</sup> Adjusted earnings/loss per share is calculated as adjusted profit/(loss) before tax divided by the weighted average number of shares in issue during the period.

<sup>3</sup> Free cash flow is calculated as cash generated from operations less capital expenditure.

## About us

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

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

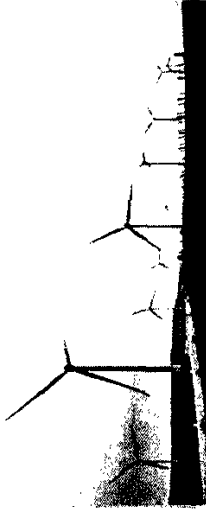
Every day we help millions of people by delivering innovative, digitally enabled solutions to transform and simplify the connections between governments and citizens, businesses and customers.

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

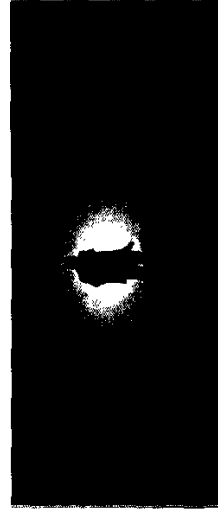
We operate across two core divisions – Public Service and Experience – in the UK, Europe, India and South Africa; a third division, Portfolio, comprises our remaining non-core businesses being prepared for disposal.



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



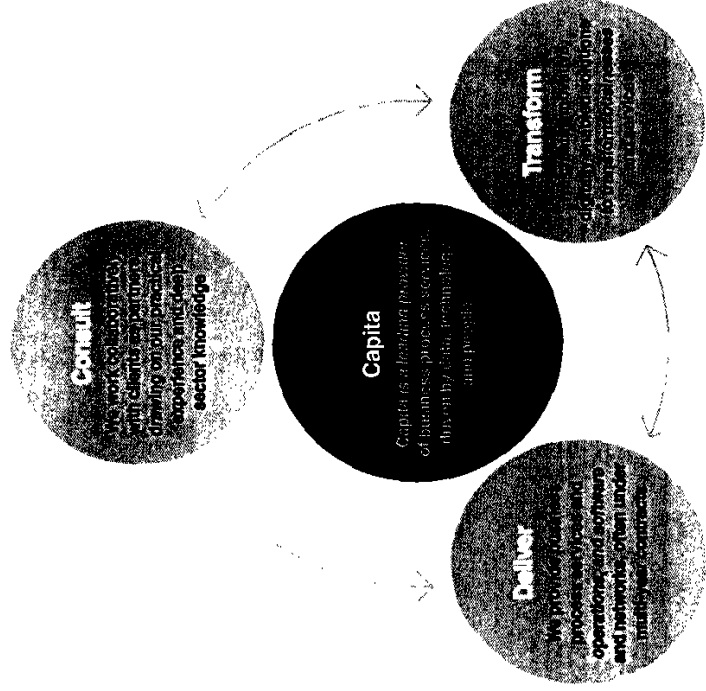
We have secured a five-year agreement with ScottishPower to deliver customer support services.



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



What we do as a business



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

## Capita Public Service

The number one<sup>2</sup> strategic supplier of business process services (BPS) and technology services to the UK Government.

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

See page 16 for further information.

Adjusted revenue<sup>1</sup>  
contribution

51%

(2021: 49%)

Adjusted divisional  
operating profit<sup>1</sup>  
contribution

63%

(2021: 61%)



## Capita Experience

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

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

See page 23 for further information.

Adjusted revenue<sup>1</sup>  
contribution

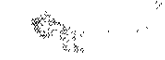
9%

(2021: 8%)

Adjusted divisional  
operating profit<sup>1</sup>  
contribution

11%

(2021: 0%)



## Capita Portfolio

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

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

**Sold during 2022:** Technology, Property

See page 24 for further information.

Adjusted revenue<sup>1</sup>  
contribution

9%

(2021: 8%)

Adjusted divisional  
operating profit<sup>1</sup>  
contribution

11%

(2021: 0%)



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

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

## Our purpose

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

**We are committed to being a responsible business – in how we operate, serve society, respect our people and the environment, and deliver improving returns to our investors.**

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

50,000

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

+35pts

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

99%

Investors by delivering improving free cash flow and returns

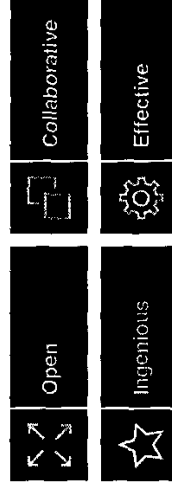
(12.2)p

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

1.6%



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



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

## Our strategy

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

### Simplify

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

### Strengthen

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

### Succeed

- Purpose-led, responsible business
- Innovative and creative
- Accelerating revenue growth
- Delivered positive free cash flow<sup>1</sup> in 2022

<sup>1</sup> 2022: £1,360.3m; 2021: £1,040.1m; 2020: £1,040.1m

## Measured through our KPIs:

### Financial

#### Adjusted revenue<sup>2</sup>

**£2,845.8m**

(2021: £2,777.8m)

#### Free cash flow before the impact of business exits<sup>2</sup>

**£29.0m**

(2021: £(218.6)m)

#### Adjusted earnings/(loss) per share<sup>2</sup>

**6.20p**

(2021: (7.74)p)

#### Net financial debt (pre-IFRS 16): adjusted EBITDA<sup>2</sup>

**0.5x**

(2021: 3.7x)

### Operational

#### Customer acquisition<sup>3</sup>

**+15pts**

(2021: +10pts)

#### Customer retention<sup>3</sup>

**+6pts**

(2021: +10pts)

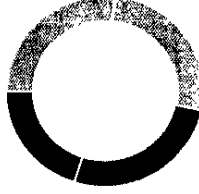
#### Operating leverage<sup>3</sup>

**99%**

(2021: 99%)

## Aligning with our performance-based remuneration:

### Annual bonus for the executive directors determined by:



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

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



## How we create value

### Our sale value

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

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

#### Public Service

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

(Source: TechMarketView)

#### Outsourced market growth of c.5% per annum

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

(Source: Everest)

## Our expertise and resource

### Market expertise

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

### Technological resources

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

### Client relationships

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

### Our people

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

### International infrastructure

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

## What we do as a business

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

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

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

We consult, transform and deliver.

### Consult

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

### Transform

We create innovative solutions to transform businesses and services.

### Deliver

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

### Our consultants:

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

### Our transformation services:

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

### Our digitally enabled services:

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

## Generating financial value



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

### Transformational services

Clients procure our digitally enabled services and network solutions through contracts, often long term, to effect significant change in their businesses. In 2022, approximately 76% (2021: 71%) of Group adjusted revenue was underpinned by long-term contracts, with around 15% (2021: 15%) from short-term contracts. Our order book at 31 December 2022 was £5.8bn.

### Transactional services

Approximately 83% (2021: 83%) of adjusted revenue originates from our transactional businesses, where we sell products and individual services to our clients across a wide range of functions. In 2022, this represented £241.8m of adjusted revenue<sup>3</sup>.

### Efficient operations

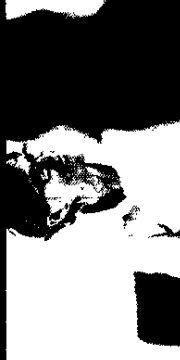
Running our business as efficiently as we can allows us to pass savings through to our clients and customers over the long term, as well as generating value for our shareholders. During 2022, our operating profit margin improved from a negative 2.8% to positive 3.6%, through efficiencies from the business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

### Generating cash flow

We aim to generate sustainable free cash flow from revenue growth, increasing profit margins through greater efficiency and eliminating the cash cost of poor-quality operations. During 2022, we delivered positive free cash flow before the impact of business exits<sup>4</sup> of £29.0m compared with negative free cash flow before the impact of business exits<sup>4</sup> of £218.6m in the prior year, reflecting the non-repeat of one-off cash payments made in 2021, including pensions and VAT, and cessation of our significant restructuring programme.

## Better outcomes for stakeholders

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



by providing our customers with solutions, transforming businesses and services, and by delighting them.



by treating them fairly and encouraging them to deliver.

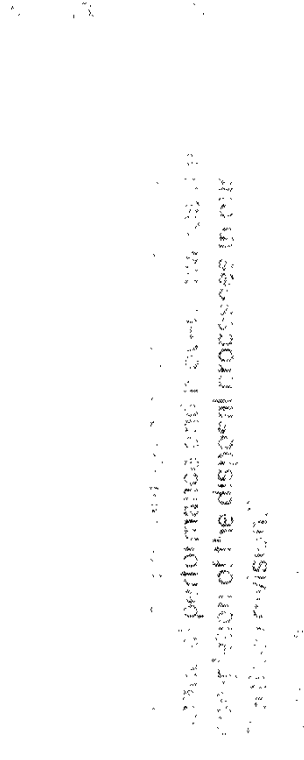
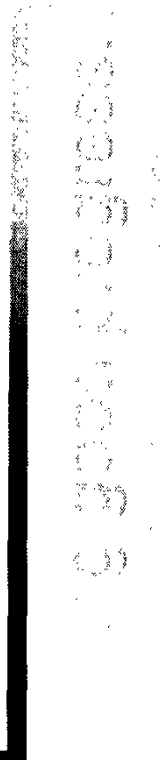


by delivering improving free cash flow and returns.



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





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

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

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

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

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

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

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

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

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

## Strategy and performance

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

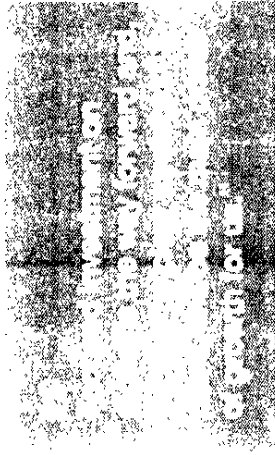
We are now fully oriented towards our clients and their own organisational and commercial requirements, rather than approaching business from our previous, product-focused perspective.

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

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

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

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



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

We have continued to contribute even more to our digital transformation capabilities and our cyber, digitalisation and automation are all being improved.

Our pension fund contribution is the way we have looked to by our strategic owners will be the main driver of growth for us.

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

## The Board and governance

Our Chairman, Sir Ian Powell, is set up to become Chairman of Capita in 2022.

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

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

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

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

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

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

Brian has taken over Matthew's role as head of the Audit and Risk Committee and will continue to lead it, while I'll oversee the breadth of his been brought to bear across the organisation.

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

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

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

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

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

## Culture and sustainability

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

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

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

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

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

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

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

## Looking forward

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

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

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

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

**David Lowden**  
Chairman

# Stabilisation and acceleration

Our strategy is delivering and we achieved a 100% fund in our financial performance in 2022.



## Summary

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

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

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

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

We are on a path to sustainable free cash flow generation, having delivered positive free cash flow in 2022 and having continued to strengthen the balance sheet following the completion of

further disposals of non-core businesses, achieving gross disposal proceeds of c.£485m, which has substantially reduced our net debt.

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

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

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

## Living our purpose

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

We align ourselves to the five principles of a purpose-driven business within the Blueprint for Better Business. These include being honest and fair with clients and suppliers, being a good citizen, being a responsible and responsive employer, being a guardian for future generations, and having a purpose which delivers long-term sustainable performance. Globally, we have introduced purpose-related remuneration metrics and objectives to embed further our purpose-driven behaviours across



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

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

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

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

We are committed to remaining a virtual-first organisation. Our hybrid working model allows a large proportion of our colleagues to work remotely all or part of the time. This has helped improve employee recruitment, while unlocking

career opportunities for the economically inactive and supporting the UK Government's Levelling Up agenda. In 2022, 85% of employees gave our hybrid working model as a reason to stay with Capita, and we have seen a positive effect on both productivity and absenteeism.

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

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

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

## Welcome The Leadership Council

These diverse and talented individuals will input into the running of the business at a senior level.



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

£1.5m, or 0.1% of the  
Group's 2022 revenue

+35pts

For colleagues based outside the UK, we have continued to support our global pay principles. In order to launch a number of targeted pay increases, we have also introduced a number of targeted wellbeing initiatives, including direct financial support, which provides support for financial wellbeing.

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

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

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

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

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

We reduced our Scope 1 and 2 emissions by 4.5% compared with our 2019 base line. We are pleased to be certified as FSC low risk by

Sustainalytics, a leading independent ESG and corporate governance research, ratings and analytics firm. Our newly created ESG Committee provides additional strategic oversight, accountability and guidance to ensure we maintain our high standards.

Our performance on supplier metrics has been maintained, for example, 99% of all suppliers were paid within UK Government guidelines of 30 days, a one percentage point increase from 2021. We were also slightly ahead of our 33% target spend with SME suppliers.

## Markets and clients

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

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

Our deep sector process knowledge and market vertical divisional structure, combined with the breadth and depth of the Group's client base, provides stability and resilience. The

divisions, led by our dedicated client partners, are also generating a better-quality pipeline, enabling us to accelerate revenue growth.

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

## Digital transformation

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

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

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

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

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

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

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

Our strengthened balance sheet underpins our ability to increase investment in digital solutions. This year, we invested in a new pensions platform in our Financial Services vertical to facilitate wider user self-service. Within Public

Service, our digital technology stack will be an area of continued investment in 2023 and beyond, positioning us for improved opportunities going forwards.

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

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

### Growing our business

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

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



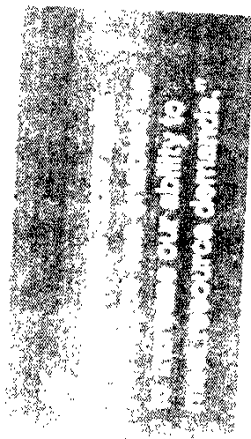
**In August 2022, Capita joined forces with a social impact firm to help military veterans fill the UK's chronic digital skills gap**

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

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

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

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

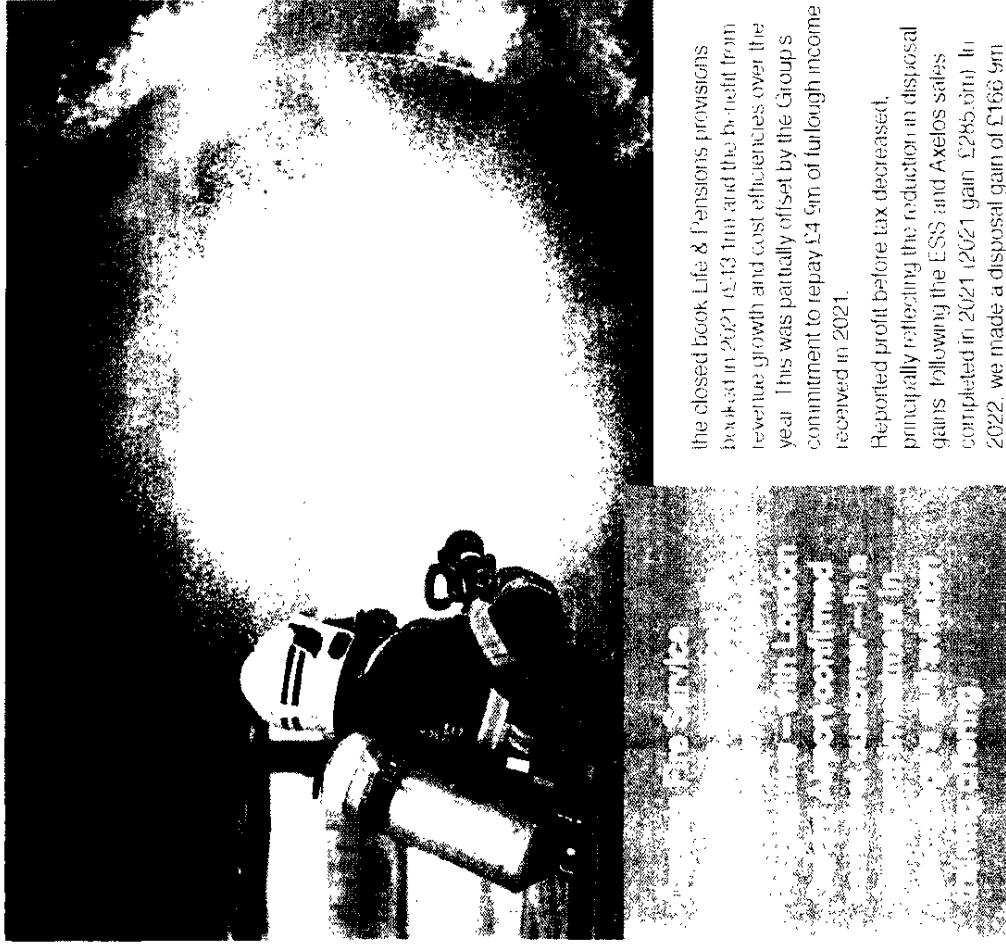


the remaining businesses within Portfolio contributed 1% of ECV, which was a slight increase from what signed in 2021 on a like-for-like basis. I've been to call for the division returns above 10x.

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

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

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



the closed book Life & Pensions provisions booked in 2021 of £13.1m and the benefit from revenue growth and cost efficiencies over the year. This was partially offset by the Group's commitment to repay £4.9m of furlough income received in 2021.

Reported profit before tax decreased, principally reflecting the reduction in disposal gains following the ESS and Axelos sales completed in 2021 (2021 gain £285.0m). In 2022, we made a disposal gain of £166.9m primarily from the sale of Pay360. We recognised a £169.0m (2021 £11.5m) non-cash goodwill impairment in respect of businesses within the Portfolio division.

### Financial results – free cash flow and net debt

We delivered positive free cash flow before the impact of business exits\* of £29.0m (2021 outflow £218.6m) and free cash flow was positive at £24.5m (2021 outflow £264.3m). The swing to positive free cash flow generation reflected a reduction in pension deficit payments from £155.5m to £38.8m and deferred VAT repayments from £104.1m to £14.9m, together with an underlying improvement in operating cash flow conversion.

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

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

While market conditions have been challenging in some areas, we continued to see good interest in the businesses remaining to be sold within Portfolio. Operationally, we have maintained our strong delivery for clients in this

area. The division now has £249.8m revenue and £26.9m of profit, before the allocation of Group overheads in 2022.

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

### Outlook

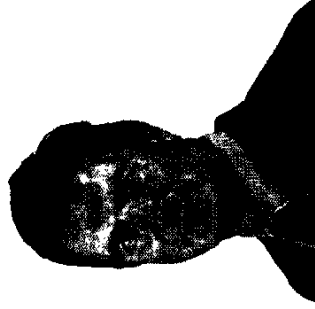
While the current economic and broader political environments create some uncertainty, we believe that the transformation of Capita that we completed in 2021, and the financial turnaround of the business we delivered in 2022, places the business in a strong position to deliver successfully, moving forwards.

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

**Jon Lewis**  
Chief Executive Officer

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

Benefiting from its breadth of experience, Capita Public Service is a leading provider of business process services (BPS) and IT services (SITS) to the UK Government.

Adjusted revenue<sup>1</sup>

**£1,445.3m**

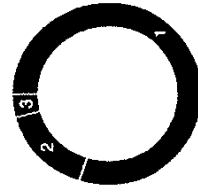
(2021: £1,410.4m) 2.5%

Adjusted operating profit<sup>1</sup>

**£91.5m**

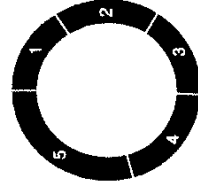
(2021: £93.2m) (1.8)%

## Adjusted revenue by type (%)



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

## Revenue by market (%)



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

## Financial performance

## Divisional financial summary

|                                                                        | 2022    | 2021    | Change % <sup>1</sup> |
|------------------------------------------------------------------------|---------|---------|-----------------------|
| Adjusted revenue <sup>1</sup> (£m)                                     | 1,445.3 | 1,410.4 | 2.5                   |
| Adjusted operating profit <sup>1</sup> (£m)                            | 91.5    | 93.2    | (1.8)                 |
| Adjusted operating margin <sup>1</sup> (%)                             | 6.3     | 6.6     | (6.3)                 |
| Adjusted EBITDA <sup>1</sup> (£m)                                      | 130.0   | 138.7   | (6.3)                 |
| Cash generated from operations before business exits <sup>1</sup> (£m) | 95.4    | 66.5    | 43.5                  |
| Order book (£m)                                                        | 2,985.0 | 3,286.3 | (9.2)                 |

## Business units

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

## Employees

- 11,700

## Client distribution

- UK

## Major contract wins and renewals

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

## Competitors

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

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

### Our markets and growth drivers

Government spending in the UK with private sector organisations is c.£1.6bn\*. Our current core addressable market is c.£13.9bn, growing at c.5% per annum. Digital BPS is a fast-growing area, while BPO is currently shrinking, reflecting the Government's focus on digitally-enabled transformation.

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

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

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

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

### Our strategy

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

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

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

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

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

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

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

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

## Our operational delivery remained consistently strong across the contract portfolio

Following our internally developed Grants platform, we successfully accelerated funding and the delivery of applications on the funding scheme, and the product remains in use on a contract with the Department for International Trade. We believe there are a number of further opportunities for Grants within the grant management and wider distribution market.

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

### Growth

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

Public Service won contracts with £1,218m (2021: £2,422m) TCV. The total TCV won decreased from the prior year reflecting the somewhat lumpy nature of the Government tender contract sales pipeline and, in particular, the benefit in 2021 from the £225m Royal Navy training contract award. We saw certain material bid timelines pushed into 2023, particularly in the second half of the year following a number of changes within the UK Government. As a result, the division's weighted pipeline has increased by £,419m to £,1,652m and the 2022 book to bill ratio was 0.8x.

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

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

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

### Cost and operational excellence

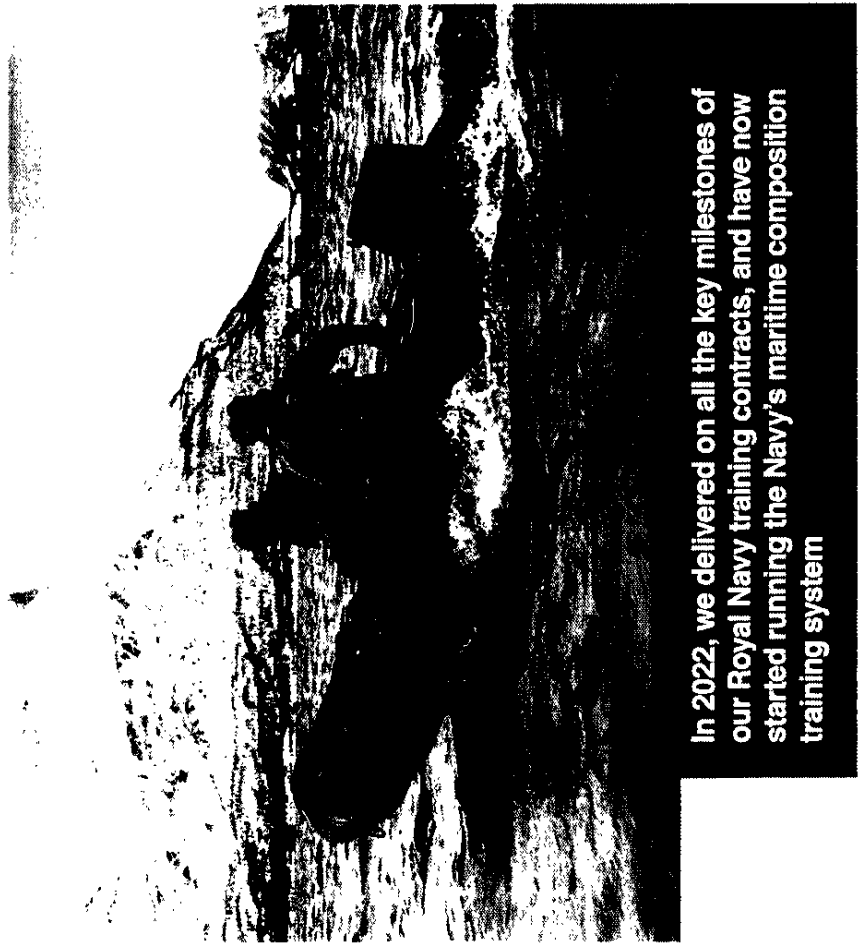
Across the year, we focused on further embedding the operating model introduced in 2021 to ensure it met our clients' needs across a broad range of services with improved cross-sell opportunities. There have been natural efficiencies from the division's matrix operating model and we are now looking at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

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

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



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



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

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

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

### Financial performance

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

Adjusted operating profit<sup>2</sup> decreased by 1.8% to £291.5m, reflecting the mix of work and reduced margin on the British Army Recruiting Partnering Project (RPP) contract as it moved into the next phase of service delivery. This was offset by the non-recurrence of significant

restructuring spend in 2021 (£5m) and margin from contract wins and increases in volumes. The division also benefited from the mutual conclusion of the Electronic Monitoring Service transformation programme in 2021, which resulted in £9m of costs being incurred in the prior year.

Cash generated from operations before business exits<sup>3</sup> increased by 43.5% to £55.4m, reflecting the working capital benefit from contracts moving into the operational phase, offset by utilisation of customer contract provisions in 2022. The 2021 cash flow was impacted by the repayment of deferred VAT from 2020.

### Outlook

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

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

Capita Experience is one of western Europe's leading customer experience businesses. It is the market leader in the UK<sup>1</sup> and ranks fifth in Germany<sup>1</sup> and Europe<sup>1</sup>.

Our business is spread across different geographies offer our clients flexibility and provide a growth opportunity for business.



Adjusted revenue<sup>1</sup>

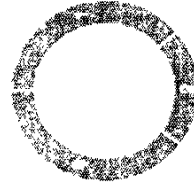
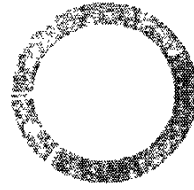
**£1,150.7m**

(2021: £1,140.6m) 0.9%

Adjusted operating profit<sup>1</sup>

**£28.5m**

(2021: £28.5m) 0.0%



Business units grew solid from 2021

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

Employee

- 31,000

Client distribution

- UK, Ireland, Germany and Switzerland

Delivery centres

- UK, South Africa, India and Poland

Major contract wins and renewals

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

Suppliers

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

Divisional financial summary

Adjusted revenue<sup>1</sup> (£m)

Adjusted operating profit<sup>1</sup> (£m)

Adjusted operating margin<sup>1</sup> (%)

Adjusted EBITDA<sup>1</sup> (£m)

Cash generated from/(used by) operations before business exits<sup>1</sup> (£m)

Order book (£m)

Change %

2022

2021

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

### Our markets and growth drivers

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

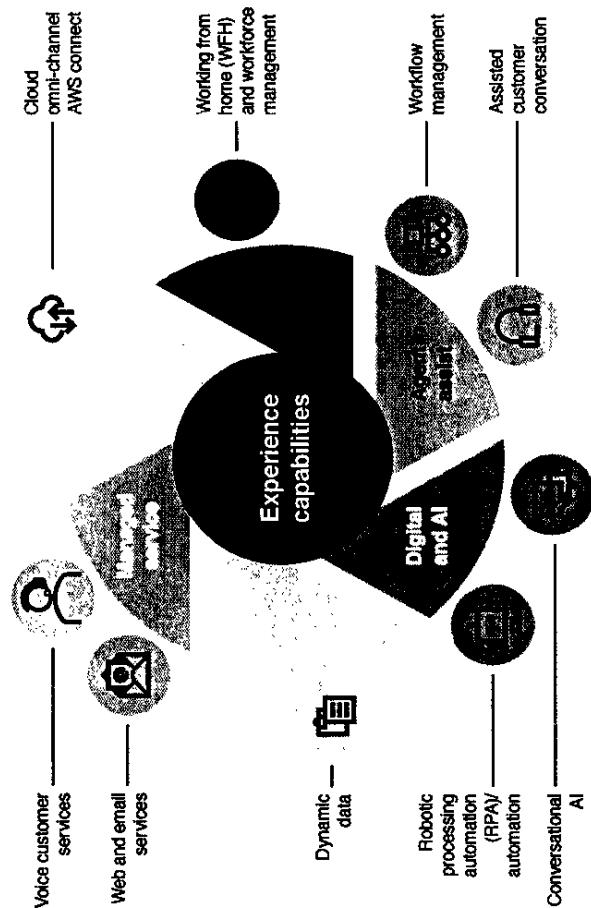
We are the largest provider of customer experience services in the UK and Ireland, with a market share of around 12%. Our competitors within the customer experience segment are mostly global and include peers such as Teleperformance, Webhelp, Concentrix and Majorel.

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

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

**Personalised customer journeys to remain high for the division, with 99% of bids successful**

### Capita Experience digital ecosystem



### Our strategy

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

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

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

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

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

## Growth

At 31 December 2022, the total unweighted pipeline was £1,082m, a decrease of £1,388m from 31 December 2021. The division won ICS of £1,350m, an increase of £150m from 2021. Significant wins in the year included renewals with the BBC (providing TV licensing collection, main network and administration) and with Tracnet AG (providing customer services support for the German telecommunications and digital services company) within our international business in TMT. There were multiple wins within the Financial Services vertical reflecting our strength in this area

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

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

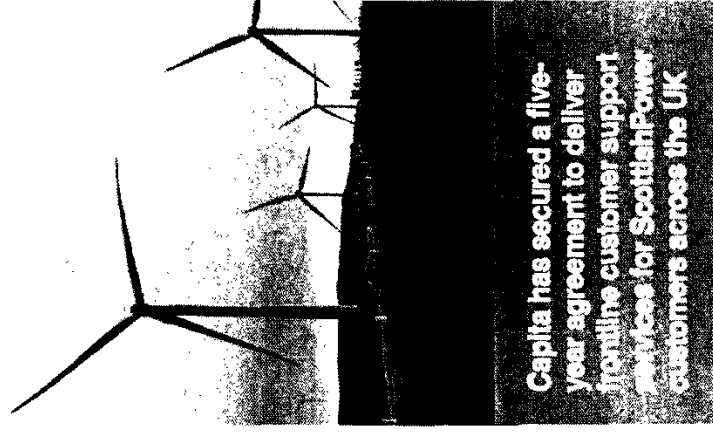
Challenged environments meant that we saw a number of significant deal timelines slip into 2023, these included a number of new clients in the TMT vertical and renewals within our Energy & Utilities and Retail industry verticals. The order book at year end was £2,527m, an increase of £250m since 31 December 2021, reflecting the contract wins in the year which more than offset revenue recognised in the year.

## Cost and operational excellence

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

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

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



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



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

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

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

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

### Financial performance

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

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

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

Cash generated from operations before business exits<sup>1</sup> increased by £35.5m to £36.7m, with an improvement in working capital benefiting the division's operating cash conversion. The division's cash performance in 2021 was impacted by the repayment of deferred VAT from 2020 together with restructuring spend and recognition of contract-related provisions.

### Outlook

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

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

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

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

We have made significant progress with the Portfolio focused on operational leverage to simplify and reduce the Group's cost base.



Adjusted revenue¹

**£249.8m**

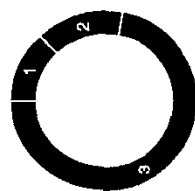
(2021: £226.5m) 10.3%

Adjusted operating profit¹

**£16.2m**

(2021: £(0.1m) n/a%)

Adjusted revenue by type¹ (€m)



1 13% Low cost/low value added  
2 45% Short-term or flexible  
3 72% Transactional

## Financial performance

| Divisional financial summary                               | 2022  | 2021  | Change % |
|------------------------------------------------------------|-------|-------|----------|
| Adjusted revenue¹ (£m)                                     | 249.8 | 226.5 | 10.3     |
| Adjusted operating profit¹ (£m)                            | 16.2  | (0.1) | n/a      |
| Adjusted operating margin¹ (%)                             | 6.5   | —     | —        |
| Adjusted EBITDA¹ (£m)                                      | 35.6  | 24.3  | 46.5     |
| Cash generated from operations before business exits¹ (£m) | 17.1  | 21.2  | (19.3)   |
| Order book (£m)                                            | 293.5 | 557.3 | (47.3)   |

¹ Includes share-based payments

² Includes share-based payments

## Business units

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

## Employees

- 3,000

## Client distribution

- UK

## Major contract wins and renewals

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

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

### Our markets and growth drivers

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

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

### Our strategy

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

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

### Cost and operational excellence

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

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

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

### Financial performance

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

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

Cash generated from operations before business exits<sup>2</sup> decreased by 19.3% to £171m driven by working capital requirements as the division recovers from Covid-19, which more than offset the improvement in EBITDA.

### Outlook

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



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

# Commercial performance

Revenue and revenue growth, a key indicator of profitability and positive free cash flow.



## Overview

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

Public Service revenue growth was underpinned by new wins such as the Northern Ireland teachers IT refresh contract and annualisation of the Royal Navy training contract offset by revenue reductions in some Local Public Service contracts. Experience

revenue was impacted by significant prior year contract losses, offset by new wins, including those in International and with ScottishPower. Growth in our transactional business was mainly driven by Portfolio, including the Travel and Enforcement businesses, which continued their recovery following Covid-related constraints.

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

## Summary of financial performance

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

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

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

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

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

From 1 January 2022, the Board considers free cash flow and cash generated from operations before business exits each to be alternative

performance measures that provide a more representative measure of the sustainable cash flow of the Group following completion of the Group-wide transformation.

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

Free cash flow before business exits<sup>2</sup> for the year ended 31 December 2022 was an inflow of £29.0m (2021: £218.5m outflow). The improvement primarily reflected the above increase in cash generated from operations before business exits<sup>3</sup> and a reduction in net interest paid in respect of leases and private placement loan notes.

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

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

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

## Adjusted results

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

of their nature, size and/or incidence for users of the financial statements to obtain an understanding of the financial information and the underlying in-period performance of the business.

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

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

### Adjusted revenue

Adjusted revenue<sup>1</sup> growth of 2.4%<sup>2</sup> was in line with expectations. The adjusted revenue was supported by the following:

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

### Order book

The Group's contracted order book was £1,580.2m at 31 December 2022 (2021: £1,115.4m). Additions from contract wins, scope changes and extensions in 2022 (£2,110.2m) including the HRC and several AG extensions within Experience, and Personal back-pendancy Payments and Hit Road User Charging within Public Service, were offset by the reduction from revenue recognised in the year (£5,132.3m), contract terminations (£8.1m) and business disposals (£296.0m).

### Adjusted profit before tax

Adjusted profit before tax<sup>3</sup> increased in 2022. The adjusted profit before tax<sup>3</sup> was driven by the following:

- **Public Service:** benefits from the wins in 2022, the annualised benefit of the Royal Navy training contract and the non-recurrence of Electronic Monitoring programme costs in 2021, offset by a reduction on the British Army recruitment contract (RPP) resulting from transition to the next phase of service delivery.
  - **Experience:** flow through of prior year losses including 3UK, William Hill and in the closed book Life & Pensions business. 2021 was impacted by provisions and impairments in the closed book Life & Pensions business and completion of significant restructuring.
  - **Portfolio:** benefits from post Covid-19 recovery in transactional businesses and the non-repeat of 2021 restructuring costs offset by operational investment in certain businesses, and
  - **Capita plc:** benefits from the end of the transformation programme (2021 included £128.0m of significant restructuring and efficiencies realised, offset by the effect of the announced intention to repay the 2021 furlough-related income).
- Cash generated from operations and free cash flow**
- Adjusted EBITDA<sup>4</sup> increased by 67%, reflecting the improvement in adjusted profit<sup>3</sup> explained above and the significant reduction in

### Adjusted revenue<sup>1</sup> bridge by division

|                                    | Public Service<br>£m | Experience<br>£m | Portfolio<br>£m | Total<br>£m |
|------------------------------------|----------------------|------------------|-----------------|-------------|
| Year ended 31 December 2021        | 1,410.4              | 1,140.9          | 226.5           | 2,777.8     |
| Net growth                         | 34.9                 | 9.8              | 23.3            | 68.0        |
| <b>Year ended 31 December 2022</b> |                      |                  |                 |             |

### Adjusted profit before tax<sup>3</sup> bridge by division

|                                    | Public Service<br>£m | Experience<br>£m | Portfolio<br>£m | Capita plc<br>£m | Total<br>£m |
|------------------------------------|----------------------|------------------|-----------------|------------------|-------------|
| Year ended 31 December 2021        | 93.2                 | 8.9              | (0.1)           | (224.8)          | (122.8)     |
| Net growth (reduction)             | (1.7)                | 29.6             | 16.3            | 162.4            | 196.6       |
| <b>Year ended 31 December 2022</b> |                      |                  |                 |                  |             |

depreciation, amortisation and impairment of property, plant and equipment and intangible assets, largely driven by the Group's property rationalisation programme.

Cash generated from operations before business exits<sup>5</sup> benefited from the improvement in adjusted EBITDA<sup>4</sup>, a lower working capital outflow compared with 2021, materially lower deferred VAT repayments and pension deficit contributions, offset by a reduction in non-cash and other adjustments.

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

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

Free cash flow before business exits<sup>6</sup> for the year ended 31 December 2022 was an inflow of £29.0m (2021 outflow £218.6m). The improvement reflected the above increase in cash generated from operations before business exits, a reduction in capital expenditure, and net interest paid in respect of leases and the Group's private placement loan notes.

Adjusted operating cash conversion<sup>7</sup> increased to 68% (2021: 48%).

## Reported results

### Adjusted to reported profit

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

#### Goodwill impairment

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

At 30 June 2022 a goodwill impairment of £20.5m was recognised in respect of the People and Property CGUs and at 31 December 2022 a further goodwill impairment of £76.5m was recognised in respect of the People, Travel and Business Solutions CGUs in the Group's Portfolio division. The impairments reflected the difference between the expected net proceeds at disposal and the cash flows the Group had previously projected it would generate if it held these businesses into perpetuity. The difference has arisen due to the

potential for acquirers factoring in additional investment and costs required to run the businesses on a standalone basis, coupled with general macroeconomic conditions.

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

#### Business exits

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

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

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

### Adjusted operating profit to free cash flow before business exits<sup>1</sup>

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

### Reported to adjusted<sup>1</sup> profit bridge

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

**At 31 December 2022 business exits primarily comprised:**

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

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

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

**Income tax**

The reported income tax credit for the year of £14.9m (2021 charge of £1.5m) and the adjusted income tax credit for the year of £31.8m (2021 charge of £1.0m) reflect the recognition of additional deferred tax assets of £36.7m and of a £10.7m change in the deferred tax asset estimate due to the reduction in future taxable profits on disposal of taxable entities, reflected

in the tax arising on business exits). These losses mainly arose due to the adoption of IFRS 15, Covid-19 related downward pressures on the profits and tax deductible restructuring costs in previous years.

**Free cash flow to free cash flow before business exits**

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

**Movements in net debt**

Net debt at 31 December 2022 was £1,182.4m (2021 £1,879.8m). The substantial reduction in net debt reflects the benefit of the Group's positive free cash flow generation, the proceeds from disposals coupled with the impact of the ongoing programme of leased property estate exits.

**Free cash flow to free cash flow before business exits<sup>1</sup>**

|                                                         | 2022<br>£m  | 2021<br>£m     |
|---------------------------------------------------------|-------------|----------------|
| Free cash flow                                          | 24.5        | (264.3)        |
| Business exits                                          | (4.1)       | (36.2)         |
| Pension deficit contributions triggered by disposals    | 8.6         | 81.9           |
| <b>Free cash flow before business exits<sup>1</sup></b> | <b>29.0</b> | <b>(218.6)</b> |

**Net debt**

|                                                     | 2022<br>£m    | 2021<br>£m     |
|-----------------------------------------------------|---------------|----------------|
| Opening net debt                                    | (879.8)       | (1,077.1)      |
| Cash movement in net debt                           | 438.2         | 232.1          |
| Non-cash movements                                  | (40.8)        | (34.8)         |
| Closing net debt                                    | (482.4)       | (879.8)        |
| Remove closing IFRS 16 impact                       | 397.5         | 448.4          |
| <b>Net financial debt (pre-IFRS 16)</b>             | <b>(84.9)</b> | <b>(431.4)</b> |
| Cash and cash equivalents net of overdrafts         | 177.2         | 101.5          |
| Financial debt net of swaps                         | (262.1)       | (532.9)        |
| <b>Net financial debt (adjusted for swaps)</b>      | <b>(84.9)</b> | <b>(431.4)</b> |
| <b>Net debt (post-IFRS 16) (adjusted for swaps)</b> | <b>(84.9)</b> | <b>(431.4)</b> |

net financial debt (pre-IFRS 17) reduced by £36.2m to £84.4m at 31 December 2022 resulting in a net financial debt to adjusted EBITDA (both pre-IFRS 17) ratio of 0.5x. Over the medium term, following the completion of our Portfolio divestment programme, we will be targeting a net financial debt to adjusted EBITDA (both pre-IFRS 17) ratio for Capita of 1.1x.

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

### Capital and financial risk management

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

In July 2022, the Group signed an extension of the £300m forward start RCF with its lending banks for a further twelve months to August 2024. The new facility commenced on 31 August 2022 upon the expiry of the previous RCF and provides the Group with committed liquidity for the cash requirements of the business and an additional source for contingencies and operational provisions such that it will partially reduce in quantum as a consequence of specified transactions. The RCF was not drawn upon at 31 December 2022 and had a total committed value of £285.4m.

In addition, the Group has in place a non-recourse invoice discounting facility, utilisation of which has become economically more

favourable than drawing under the RCF as prevailing interest rates have increased. As such, the Group has increased its use of the facility across the year with the value of invoices sold under the facility at 31 December 2022 of £44.4m (2021: £16.4m).

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

### Going concern

The Board closely monitors the Group's funding position throughout the year, including compliance with covenants and available facilities to ensure it has sufficient headroom to fund operations. In addition, to support the going concern assumption, the Board conducts a robust assessment of the projections considering also the committed facilities available to the Group.

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

## Liquidity

|                                              | 2022<br>£m    | 2021<br>£m    |
|----------------------------------------------|---------------|---------------|
| Revolving credit facility (RCF)              |               |               |
| Less: drawing on committed facilities        |               |               |
| <b>Undrawn committed facilities</b>          | <b>288.4</b>  | <b>385.7</b>  |
| Net cash, cash equivalents net of overdrafts |               |               |
| Less: restricted cash                        |               |               |
| <b>Liquidity</b>                             | <b>288.4</b>  | <b>345.7</b>  |
|                                              | <b>177.2</b>  | <b>101.5</b>  |
|                                              | <b>(60.4)</b> | <b>(54.8)</b> |
|                                              | <b>322.4</b>  | <b>392.4</b>  |

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

## Viability assessment

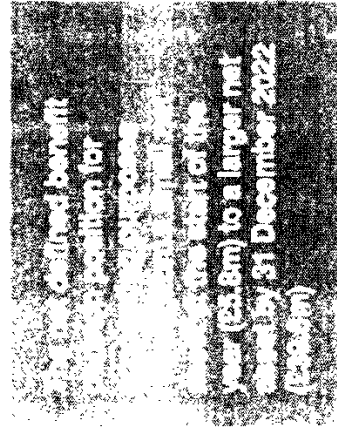
The Board's assessment of viability over the Group's three-year business planning time horizon is summarised in the viability statement on page 64.

## Pensions

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

The net defined benefit pension position for accounting purposes moved from a small net asset at the start of the year (£5.9m) to a larger net asset by 31 December 2022 (£39.6m). The main reasons for this movement were the

£38.5m of deficit funding contributions paid into the Scheme (plus a net £0.2m deficit funding contribution in respect of other schemes). Both the value attributed to the pension liabilities and the value of the assets fell materially over the year, predominantly due to the material increase in the yields available on both long-dated Government and corporate bonds. Due to the investment strategy adopted by the Trustee of the Scheme the impact of these changes has been broadly hedged so that the value of the assets has moved to a similar degree to the value of the liabilities. Despite the economic events in Q3 2022 that led the Bank of England to purchase Government bonds, the Scheme's Fiduciary Manager confirmed that the Scheme had sufficient liquid assets to meet collateral calls to maintain its hedged positions throughout the year, as well as confirming that there is sufficient buffer against future adverse movements.



The valuation of the Scheme liabilities (and assumptions used) for funding purposes (the actuarial valuation) are specific to the circumstances of the Scheme. It differs from the valuation and assumptions used for accounting purposes which are set out in IAS 19 and shown in these financial statements. The main difference is in assumption principles being used based in the different regulatory requirements of the valuations. Management estimates that at 31 December 2022 the net asset of the Scheme, on a funding basis (ie the funding assumption principles adopted for the full actuarial valuation at 31 March 2020 updated for market conditions at 31 December 2022) was approximately £40.0m (2021 net asset £46.0m) on a technical provisions basis. The Trustee of the Scheme has also agreed a secondary more prudent funding target to enable it to reduce the reliance the Scheme has on the covenant of the Group. On this basis, at 31 December 2022 the funding level was around 95% (or a net liability of £5.0m). The deficit of £5.0m is expected to be met by a mixture of the remaining deficit contributions and asset outperformance.

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

### Consolidated balance sheet

At 31 December 2022 the consolidated net assets were £32.7m (2021 net assets £296.5m).

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

### Parent company balance sheet

The company's market capitalisation was significantly less than the net assets of the parent company at 31 December 2022 and the Directors gave consideration as to why this might be the case and whether assets on the parent company balance sheet may be impaired. The factors considered included the differing basis of valuations (point in time nature of the market capitalisation and that third parties value the services sector on income statement multiples versus long-term view using a discounted cash flow for the basis of impairment testing under accounting standards) sum-of-the-parts view and the

multiples achieved on recent disposals, and that the sector may be trading at or below book value with the market making a general assessment of the sector and all companies within the sector which can ignore the liquidity profile and specific risks of an entity.

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

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

## Building an engaged workforce

As a business leader, you have a great deal of control over the success of your business. One of the most important factors in your success is the quality of your customer service. This is why it is so important to have a strong customer service strategy in place. One of the best ways to ensure that you have a strong customer service strategy is to conduct a customer service survey. This will allow you to gather feedback from your customers and use it to improve your service. There are many different ways to conduct a customer service survey, but the most common is to use a questionnaire. This can be done online or by mail. Another way to conduct a survey is to use focus groups. This involves bringing a group of customers together and asking them for their feedback. Whichever method you choose, it is important to make sure that you are asking the right questions and that you are listening to the feedback that you receive. By conducting a customer service survey, you can gain valuable insights into your customers' needs and expectations. This will allow you to make changes to your service that will improve the customer experience and ultimately lead to increased sales and profitability.

These results suggest that the use of a single, non-validated questionnaire to assess the prevalence of mental health problems in the community may be inappropriate. The use of a validated questionnaire, such as the GHQ-12, may be more appropriate for the purpose of identifying mental health problems in the community.

a problem. So, in the fourth year of  
 the program, students are able to develop an  
 understanding of a subject that they can  
 use in their own lives. The program is not only  
 a way to learn, but also a way to live.

**Our commitment to flexible,  
remote working**

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

We believe offering this flexibility will help us attract and retain high quality and increasingly diverse talent. For the first time, we asked people working internationally in our annual employee survey if they could check off that they would work in a hybrid model or full remote. About 60 percent of them indicated that these alternatives solely from an office of the field, 85% of these individuals also say it is a key motivator for them to remain working at Capital.

[illegible]

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

## Performance and development

Our 2022 strategic focus was on the development of our Capita-wide framework (CWF). This is a Capita-wide tool designed to enable our business to plan and develop their career. It provides a map of the whole organisation and the requirements to show the role they are in, the behavioural leadership and technical skills they need to be successful in their role, and identify what they need to do to progress and move to another role in the organisation. This framework forms the foundation of many of our development and succession processes.

Our Capita Academy is a self-paced development academy that allows us to learn the individual capabilities of our people to help them develop their growth in their role and for the business.

### Capita Academy

Our Capita Academy 2022 was a year of significant growth. It has been a high-impact year for our people and for the business. We continued to build a solid foundation for the future of the Academy through the introduction of the Capita e-library, which provides a suite of accessible and self-paced development programmes for our people. We introduced a self-assessment tool, My Compass, for colleagues to assess their current level of knowledge and skills level against their aspirational level with suggested learning and development opportunities. Our focus was on the development of our people and their leaders, support programme and on growth through our Capita Academy.

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

**c.569,000**

hours of learning

**c.373,000**

hours of learning

**c.10,360**

hours of learning

**60%**

hours of learning

**c.44,000**

hours of learning

**c.45,500**

hours of learning

year. At the same time, the development of our managers remains a significant priority and last year we aligned our Accelerate Advance and Ascent programmes to our managers passport to upskill our line managers. We currently have 173 managers on one of these development pathways.

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

### Supporting future leaders

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

To improve diversity at senior levels, we also continue to support high-potential women and individuals from underrepresented groups through cross-company mentoring opportunities. In 2022, 80 colleagues were enrolled in these programmes. We are

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

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

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

### Professional development

We offer 64 different professional development programmes across England funded by our apprenticeship levy. We have more than 600 learners on the apprenticeship programmes and 186 learners who successfully completed their professional development programme this

### Responsible business at a glance

**We are committed to being a responsible business – In how we operate, serve society, respect our people and the environment, and deliver improving returns to our investors.**

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

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

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

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

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

| Key metrics                         | 2022 | 2021 |
|-------------------------------------|------|------|
| eNPS (points)                       | +35  | +29  |
| Supplier payment within 60 days (%) | 99   | 98   |

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

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

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

**Our investors** – see page 48 for more information

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

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

onboarding team to deliver excellence in our new joiner experience, evolved our reward hub to improve consistency in the application of global compensation and benefits, and introduced a global mobility team to support complex international movement when required. We also celebrated the majority of our employee relations activity, delivering improved efficiency, consistency and reporting which will allow us to be more proactive in employee relations management going forward.

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

### Reward

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

Capita joined the Moving Ahead Mentor of the Year for 2022 and Moving Ahead Most Benefited Programme Partner of the Year awards.

### Talent acquisition and turnover

Capita has been recognised as a talent magnet by the highly global talent market of 1.4 billion in 2022 to attract large numbers of candidates with more than 2,700 new starters in the year. International headcount grew by 15% in South Africa where it grew by 159% to more than 4,900.

Capita has created a formal economic incentive for our 15,000+ employees to attract, develop, and retain the best talent with a first-in-class policy saw more than 3,200 roles filled internally. 11% of total recruitment in 2022 for senior, medium and junior roles was due to external talent companies. In 2023 we will continue to expand our internal mobility strategy, and focus on a talent hub model.

As a consequence of 2022 the re-structuring function which has a new target operating model and delivery plan, we rolled up tasks to support the work on the re-structure of our business. In 2023 we will continue to focus on the delivery of our business plan and the re-structuring of our business.

### HR operations

Capita was pleased to focus on simplifying and centralising key human resource functions, which has allowed us to improve technology and data driven HR. We have introduced a dedicated

# Doing better for all stakeholders

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

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

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

Our responsible business strategy, which was originally developed in 2019, has ensured that we remained focused on supporting the United Nations' Sustainable Development Goals (UNSDGs) as well as addressing the issues where we can have the biggest impact – through our own operations and the products and services we provide to our clients.

In 2022, our activities focused significantly on building a more inclusive organisation and supporting our colleagues' wellbeing, tackling economic inequality and increasing digital inclusion, reducing our environmental impact and operating responsibly. Among the significant range of activities delivered, we are most proud of our continuing commitment to be a real living wage accredited employer in the

UK, our science-based climate targets (we intend to be net zero by 2035), the significant progress towards our diversity goals, the launch of our Capita Leadership Council, our continued commitment to having an employee director on the Board, and our socially responsible resourcing programmes, including one that provides paid internships to ex-offenders.

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

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

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



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

## Operating responsibly

### Delivering our strategy themes

- Building a more inclusive organisation
- Driving greater social mobility
- Reducing our environmental impact
- Operating responsibly for our stakeholders

### Goals

- Ensuring our workforce reflects the diversity of the communities we serve and is inclusive
- Empowering 100,000 young people in the communities we serve to progress into the world of work by the end of 2023
- Seeking to reduce our carbon footprint and supporting our clients to do the same
- Seeking to integrate environmental, social, ethical and governance considerations across our business operations

### Areas of focus

- Prioritising our colleagues' wellbeing
- Engaging with our colleagues
- Reimagining our workplaces
- Building an inclusive organisation
- Tackling youth unemployment
- Promoting digital skills for all
- Tackling environmental challenges with clients
- Improving our environmental performance
- Adapting to climate change
- Client relations
- Supplier engagement
- Ethical business

### Supporting the UNSDGs



## Addressing our global challenges



### Building a more inclusive organisation

- We have continued to create an inclusive environment for all, where everyone is included in everything we do and where we benefit from all colleagues' abilities, experiences, perspectives and bringing their own talents to work. In this way, each person can help our part to create better products and services, committed to the goal of creating a more inclusive organisation for all, which then benefits our customers and the world as a whole.
- We have continued to build on our commitment to create a more inclusive organisation for all our people. This included:
  - attracting and supporting our eight global employee network groups. We currently have more than 15,000 network members
  - continuing our commitment to be a 'real living wage employer in the UK'

- Developing a number of programmes to support the career progression of under-represented groups
- Our RISE (reduce inequality strive for equality) and RISE for Women programmes are specifically designed for Black, Asian & minority ethnic and female colleagues to help start them on a transformational journey that will give them the practical mechanisms to drive their careers forward

We were extremely pleased that two Capita leaders – Kathy Quashie, Chief Growth Officer and Eileen Lewis, Social Responsible

Resourcing Lead – were named in the global 2022 Empower Ethnic Minority Role Model Lists. We were highly commended by the Employers Network for Equality & Inclusion for our approach to intersectionality and recognised as a 'Leading Light' by the UK Social Mobility awards.

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

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

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

- Expanding the use of personal pronouns on Workday, Outlook and Teams to ensure our colleagues are represented and supported in the way they wish to be recognised

- Launching a new 'life leave' policy to support employees with taking time off for fertility treatment, early pregnancy loss and more
- Running an ongoing lunch and learn series to build awareness and understanding of our similarities and differences. In 2022 this included topics such as: menopause, faith and wellbeing, debunking the myths behind ADHD, baby loss, awareness, and more
- The 'we, black' for black colleagues, including celebration of awareness events, including that not limited to Pride, International Women's Day, International Men's Day, Racial Equality Week, Black History Month, Mental Health Awareness week, and International Day of People with Disabilities
- Celebrating our Black colleagues with our second annual Black Employees Awards, held during Black History Month.
- Continuing to review employee survey results by protected characteristic and working with each of our employee network groups on results relevant to their area of focus

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

**Board**

5 (56%) Male  
4 (44%) Female

**Executive Committee**

5 (56%) Male  
4 (44%) Female

**Senior management\***

73 (74%) Male  
25 (26%) Female

**All employees**

1 24,240 (49%) Male  
2 25,350 (51%) Female



\* Senior management includes directors of subsidiary legal entities as per requirements of the Companies Act section 414C(1)(viii) and 414C(1)(vi)

**Supporting our colleagues' wellbeing**

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

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

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

We introduced new mandatory safeguarding training, with 98% completion for level 1 and 91% for level 2, which exceeds our internal compliance targets of 95%.

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

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

**Reimagining our workplaces**

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

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

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



### Tackling economic inequalities

Our commitment to tackling economic inequalities is a key priority for Capita, and we believe an added dimension to all businesses globally. We are committed to ensuring that we not only reward our employees but also create a rewarding wage employer. In 2023, we also joined Business in the Community, a charity that helps businesses to create jobs and improve the lives of disadvantaged communities. Capita was one of the first organisations to sign up to the UK Government's Kickstart Scheme. In 2020, 50% of our staff at the end of 2022, we offered 50 Kickstart placements, with the majority being delivered virtually. 55% of our Kickstarters successfully completed the programme with 53% securing roles in Capita afterwards. 17% gained roles externally and 8% returned to full time education. Of the 53% that returned to full time education, 90% were women with the remainder

At the start of the Ukraine war, our colleagues in Krakow collected clothes, food and money to support the refugees and some of our colleagues hosted refugee families. We have since raised further resources and bought a generator to provide power to a water plant which pumps to local hospitals in Ukraine. All our employees globally are granted one day per year for volunteering activities, more than 7800 hours of volunteering were requested in 2022.

We also continued our sponsorship of the UK Visa of Mobility Awards, and were delighted to be awarded a Leading Light award. We were also particularly pleased to see the progress of our Compass programme, delivered in partnership with Project Humane supporting ex-offenders into meaningful work. You can watch interviews with some of our Compass interns at [www.capita.com/our-compass-interns](http://www.capita.com/our-compass-interns), with some of our thinking/creating/better outcomes internships, person-leavers. We hope to grow this programme further in 2023.

### Digital inclusion

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

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

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

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

Community investment

£.21m

2022-2023



## Annual GHG emissions

|                                                                          | 2022         | 2021         | 2020         |
|--------------------------------------------------------------------------|--------------|--------------|--------------|
| Scope 1 (tCO <sub>2</sub> e)                                             | 12,049*      | 15,021*      | 18,980*      |
| Scope 2 (tCO <sub>2</sub> e) (location-based)                            | 21,137*      | 24,088*      | 28,359*      |
| Scope 2 (tCO <sub>2</sub> e) (market-based)                              | 4,083*       | 10,328*      | 23,526*      |
| Scope 3 (tCO <sub>2</sub> e) (business travel and waste)                 | 6,101*       | 4,500*       | 7,881*       |
| Total gross tonnes of CO <sub>2</sub> e (location-based)                 | 39,287       | 43,609       | 55,219       |
| Total gross tonnes of CO <sub>2</sub> e (market-based)                   | 22,233       | 29,848       | 50,386       |
| <b>Total gross tonnes of CO<sub>2</sub>e in revenue (location-based)</b> | <b>3,002</b> | <b>3,270</b> | <b>4,031</b> |
| <b>Total gross tonnes of CO<sub>2</sub>e/headcount (location-based)</b>  | <b>0.73</b>  | <b>0.75</b>  | <b>0.83</b>  |

## Table of progress against targets

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

**Notes:**

Total gross tonnes of CO<sub>2</sub>e from revenue (location-based) in 2022, 2021 and 2020 has been calculated using statutory revenue

**Scope 1:** Emissions from Capita sources that are controlled by us, including the combustion of fuel, company-owned vehicles and the operation of our facilities.

**Scope 2:** Emissions from the consumption of purchased electricity, heat or steam.

**Scope 2:** Emissions from the consumption of purchased electricity, heat or steam.

## Methodology

[illegible]

the company's greenhouse gas (GHG) emissions. The company has also been recognized by the Environmental Protection Agency (EPA) for its leadership in GHG emissions reduction. The company's GHG emissions are reported annually in its annual report, and the company is committed to reducing its GHG emissions in line with the Paris Agreement.

company, which is also highlighted in the table alongside with an "X" using the assurance standards ISAE 3000 and 3410. Corporate Citizenship has issued an unqualified opinion on the disclosed data. Its full assurance report can be found at [www.citigroup.com/citigroup/responsiblebusinessresources](http://www.citigroup.com/citigroup/responsiblebusinessresources) and reports



continued to be probably means ensuring we keep our suppliers as a credit better outcomes for all stakeholders – at the core of everything we do. We have continued our focus by continuing to support clients and communities in recovery from the Covid pandemic, engaging and supporting closely with our suppliers, addressing their customer needs and challenges, such as the cost-of-living crisis.

## Client relations

We continue to get the views of our clients, suppliers, contractors and partners through a regular survey. In the survey we ask for their views on our products and services, and how we can improve them. We have the information back to our clients so they can take the time to understand our value and address issues raised and set the priorities for our products and services. Additionally, we received feedback from age-related services clients. This enabled us to achieve a 94% response rate and the results gave Capita a cNPS score of +35 for 2022, up from a cNPS score of +10 in 2021.

Our two core divisions (Public Service and Experience Services) have risen from 103 individuals across 240 clients providing a 52% response rate. The results give the two divisions a combined cNPS score of +24, an increase of +8 on 2021.

## Supplier engagement

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

We spent more than £1.98bn in 2022 with more than 100,000 direct suppliers, at 89 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 reward the good and encourage suppliers in order to achieve the highest standards within our supply chain. We are committed to working with our supply base to ensure that together we can achieve wider social, economic and environmental benefits.

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

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

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

2022-23 financial year

**+35**

Spend with direct suppliers in 2022

**£1.98bn**

**69**

% of our suppliers by spend committed to having science-based targets (SBTs) in place

## Transaction bribery and corruption

**Targeting integrity**

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

## **Upholding human rights**

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

Our updated human rights policy details our commitments to upholding the principles of human rights as set out in the UN Declaration of Human Rights and the International Labour Organization core labour principles. We conform with all relevant legislation, including the UK Modern Slavery Act and our compliance statement can be found on our website. We outline expectations and compliance to the standards we set out for suppliers, working in line with our human rights policy.

then to ensure they operate in accordance with this policy, and upholding the principles of human rights in their operations and supply chains. We are taking appropriate steps to ensure that everyone who works for Cargill benefits from a working environment where their fundamental human rights are respected.



Members of our tech solution delivery team competed in a charity plane pull to raise funds for the Children's Hospital of Philadelphia.

information that we use in business, with also the ability to pass on to our clients. If any client or partner is the subject of our stakeholder engagement, we need any potential breach of our standards or any other ethical concern they may report this confidentially to our Speak Up team. This data is externally managed for independence and confidentiality.

## Protecting privacy

Capita is a data collector, extractor, as to our products and services and in respect of our data, we take a responsibility very seriously. With a view to ensuring we only access personal data in line with all applicable laws, Capita have collected, store, use, transfer, and delete personal data in accordance with the law. We expect our suppliers to use fully for privacy and data protection of data, applying our privacy standards, procedures and guidance in the approved the business. These requirements also cover the information used in the business and our partners include:

- Subject to process completed privacy by the supplier, data and data protection impact assessment.
- We continue to raise awareness of data protection privacy through our training and our compliance communication standards.

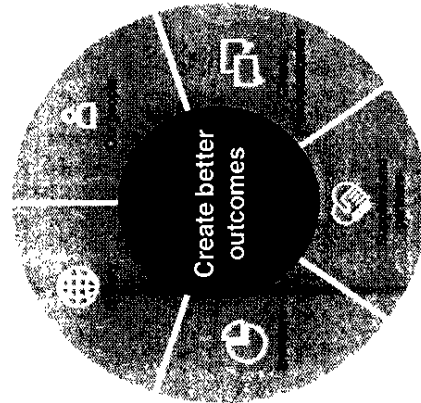
## Non-financial information statement

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

| Environmental matters            | Health, safety and environmental policy (E)                                                                                                                                                                                                                                                                                                                                           | Responsible business: fighting climate change pages 42 and 43                                                                                                                                                                                                                                                    |
|----------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Employees                        | <ul style="list-style-type: none"> <li>• Code of conduct (E)</li> <li>• Health, safety and environmental policy (E)</li> <li>• Diversity and inclusion policy (E)</li> <li>• Wellbeing policy (E)</li> <li>• Employee handbook (I)</li> </ul>                                                                                                                                         | <ul style="list-style-type: none"> <li>• Our people section pages 33 to 36</li> <li>• Responsible business: building an inclusive workplace pages 39 and 40</li> <li>• Responsible business: diversity data page 40</li> </ul>                                                                                   |
| Human rights                     | <ul style="list-style-type: none"> <li>• Human rights policy (E)</li> <li>• Supplier charter (E)</li> <li>• Modern slavery statement (E)</li> <li>• Information and cyber security policy (E)</li> <li>• Privacy policy (E)</li> <li>• Employment screening policy (I)</li> <li>• Procurement policy (E)</li> <li>• Speak Up policy (E)</li> <li>• Safeguarding policy (E)</li> </ul> | <ul style="list-style-type: none"> <li>• Responsible business: operating responsibly – supplier engagement page 44</li> <li>• Responsible business: community – tackling economic inequalities page 41</li> <li>• Responsible business: operating responsibly – upholding human rights page 45 and 46</li> </ul> |
| Social matters                   | <ul style="list-style-type: none"> <li>• Community and charity policy (E)</li> <li>• Community and charity standard (I)</li> <li>• Volunteering FAQ (I)</li> <li>• Matched funding FAQ (I)</li> <li>• Fundraising FAQ (I)</li> </ul>                                                                                                                                                  | <ul style="list-style-type: none"> <li>• Responsible business: digital inclusion page 41</li> <li>• Responsible business: community – tackling economic inequalities page 41</li> </ul>                                                                                                                          |
| Anti-corruption and anti-bribery | <ul style="list-style-type: none"> <li>• Code of Conduct: Anti-bribery and corruption policy (E)</li> <li>• Financial crime policy (E)</li> </ul>                                                                                                                                                                                                                                     | <ul style="list-style-type: none"> <li>• Responsible business: targeting bribery and corruption page 45</li> </ul>                                                                                                                                                                                               |
| Due diligence and outcome        | <ul style="list-style-type: none"> <li>• Risk management framework</li> <li>• Annual Internal audit plan</li> <li>• Risk register</li> <li>• Audit and Risk Committee report</li> </ul>                                                                                                                                                                                               | <ul style="list-style-type: none"> <li>• Risk management framework pages 55 and 56</li> <li>• Audit and Risk Committee report pages 90 to 98</li> </ul>                                                                                                                                                          |
| Business model                   |                                                                                                                                                                                                                                                                                                                                                                                       | <ul style="list-style-type: none"> <li>• Business model pages 6 and 7</li> </ul>                                                                                                                                                                                                                                 |
| Non-financial KPIs               |                                                                                                                                                                                                                                                                                                                                                                                       | <ul style="list-style-type: none"> <li>• Non-financial KPIs page 1</li> <li>• Responsible business pages 37 to 45</li> </ul>                                                                                                                                                                                     |

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

# Engaging with our stakeholders



Our 2022 Strategic Report is available on our website at [www.capita.co.uk](https://www.capita.co.uk). The report is available in English and is subject to the provisions of the Companies Act 2006.

See page 75 for more information.



## Our people

### Why they are important

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

### What matters to them

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

### How we engaged

- People surveys
- Regular all-employee communications events
- Employee director on the Capita plc board
- Employee focus groups and network groups
- Workplace engagement consultation
- Leadership Council
- Regular breakfast sessions with the Leadership Committee for our colleagues

### Topics of engagement

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

### Outcomes and actions

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

We also launched a global career path framework which defines career levels, career objectives and reward framework and introduced mentoring schemes.

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

We refreshed our 'Speak Up' policy.

### Risks to stakeholder relationship

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

### Key metrics

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

### Further details

Our people section on pages 33 to 36. Responsible business section on pages 37 to 43. Directors' remuneration report on pages 75 to 177.



## Clients and customers

### Why they are important

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

### What matters to them

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

### How we engaged

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

### Topics of engagement

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

### Outcomes and actions

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

### Risks to stakeholder relationship

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

### Key metrics

Customer NPS, specific feedback on client engagements

### Further details

Chief Executive Officer's review on pages 46 to 47.



## Suppliers and partners

### Why they are important

They share our values and help us deliver our purpose, meet our high standards in our supply chain and ensure we are compliant with all relevant regulatory and ethical requirements.

### What matters to them

Partners make efficient and profitable businesses, deliver on their promises, build a reputation for reliability and work closely with all types of business.

### How we engaged

- Supplier selection, procurement and onboarding process
- Regular reviews with suppliers
- Supplier questionnaires and risk assessments

### Topics of engagement

- Supplier selection
- Supplier engagement
- Supplier performance
- Supplier risk management
- Supplier sustainability

### Outcomes and actions

Alignment of payments with agreed terms, supplier feedback on improvements to procurement process, increased compliance and reduced operational risk.

### Risks to stakeholder relationship

- Environmental issues
- Commitment to business
- Supply chain resilience

### Key metrics

Number of supplier payments within agreed terms, SLA, spend allocation and supply chain profile.

### Further details

Supplier engagement section on page 41.



## Investors

### Why they are important

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

### What matters to them

Return on investment, operational and financial performance, financial performance, access to the Board and senior management, and capital structure.

### How we engaged

- Financial and other reports and trading updates
- Regular investor presentations with the Board and detailed meetings with the Chairman and Non-executive Committee chair
- Discussions through the year
- Discussions through AGM on resolutions and governance topics
- One-to-one investor relations contacts and email inbox
- Investor feedback to our team through our investor relations and external advisers

### Topics of engagement

- Disposal programme
- Medium-term targets and outlook
- Social, cultural and engagement
- Sustainability and liquidity
- Governance, remuneration
- Environmental, Net Zero target

### Outcomes and actions

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

Have a programme in place to allow shareholders to attend top phase, all-in-one and remotely.

### Risks to stakeholder relationship

- Changes to ownership, market entry government policy
- Delivery on strategic and financial objectives
- Key aspects of governance and remuneration

### Key metrics

Revenue, profit, free cash flow, net debt, and working capital and debt ratio.

### Further details

Shareholder engagement section on page 41.  
Further details on page 41.



## Society

### Why they are important

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

### What matters to them

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

### How we engaged

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

### Topics of engagement

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

### Key metrics

Net zero by 2025, community investment, workforce diversity and ethnicity data, including pay gaps.

### Further details

Responsible business Plan section on pages 42 to 44.  
Greenhouse gas emissions section on pages 49 to 81.

## Strategy

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

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

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

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

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

**Management's responsibility for climate-related risks and opportunities:**

Climate-related responsibilities are assigned to specific management-level positions that coordinate activity across and within each business division.

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

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

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

| Strategic report                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | Task Force on Climate-related Financial Disclosures continued | Capita plc Annual Report 2022                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | 50                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p><b>Phase 1 (completed in 2021): qualitative risk &amp; opportunity assessment</b></p> <p>In 2021 Capita completed the first phase of its climate scenario analysis by qualitatively assessing climate risks and opportunities over forward-looking scenarios.</p> <p>The initial climate assessment consisted of:</p> <ul style="list-style-type: none"><li>• A high-level assessment against TCFD recommendations to identify actions to address the exposure and a peer review check for climate-related disclosures</li><li>• A board-level boarder engagement to examine climate-related opportunities from climate transition. Further engaged included: Procurement, Business Growth &amp; Continuity, Risk Management, Responsible Business</li><li>• A review of relevant climate-related risks and opportunities for the function</li></ul> <p>• Qualitative assessment of risks and opportunities across relevant geographies, the nature and likelihood of climate scenarios based on scenarios for vulnerability likelihood and climate change scenarios (e.g. temperature, sea level rise, etc.). To enable the production of climate impact for further analysis and delivery.</p> <p>• Further created the climate scenarios developed by Network for Greening the Financial System (NGFS). These include three climate scenarios: orderly transition, disorderly transition (disorderly transition due to late action), and collapse (disorderly transition due to limited action resulting in significant warming).</p> |                                                               | <p><b>Phase 2 (completed in 2022): quantitative modelling of five key climate risks</b></p> <p>As a result of the qualitative CSA Capita identified five risks likely to affect its operation in different climate scenarios</p> <ul style="list-style-type: none"><li>• water stress (physical risk)</li><li>• carbon pricing (transition risk)</li><li>• supply chain pass-through costs (transition risk)</li><li>• energy pricing (transition risk) and</li><li>• carbon credit pricing (transition risk)</li></ul> <p>While Capita's exposure to the risks was tracked on a global level for the transition risks, the water stress risk was modelled at a local level.</p> | <p><b>Physical risks</b></p> <p>Exposure modelling</p> <p>All of Capita's sites were screened for exposure to water stress in the baseline using publicly available projections. 20 highly exposed or strategic sites were taken forward for detailed modelling. The modelling was used to provide an exposure rating for each of Capita's sites. Scenarios used and timelines modelled are outlined in the risk table.</p> <p><b>Vulnerability workshop</b></p> <p>To understand Capita's vulnerability to water stress, an internal cross-functional workshop was conducted. The discussions and output from this workshop provided an understanding of site operations which was used to provide each site with a vulnerability rating.</p> <p><b>Overall risk rating</b></p> <p>The exposure and vulnerability risk ratings were multiplied together to understand the overall risk of water stress to each of the modelled sites. Results and mitigation measures are outlined in the risk table.</p> | <p><b>Transition risks</b></p> <p>Exposure modelling</p> <p>Three transition risks (carbon pricing, supply-chain pass-through costs and energy pricing) were modelled using publicly available projections in a low carbon &lt;2°C scenario. Carbon credit pricing was modelled using a bespoke offset modelling system based on offsetting project type and market fluctuations. All scenarios and timelines are outlined in the risk table.</p> <p>Carbon pricing, supply chain pass-through costs and energy pricing were all modelling under two internal emissions/energy consumption projections: business as usual (BAU) and net zero.</p> <p><b>BAU:</b> assumes that Capita's emissions or energy consumption remains constant from a 2019 baseline.</p> <p><b>Net zero:</b> assumes that Capita's emissions and energy consumption decrease in line with the SBTi verified near-term targets and 2035 net zero target</p> <p><b>Vulnerability</b></p> <p>To understand Capita's vulnerability to the modelled transitional risks, an internal cross-functional workshop was conducted. The discussions and output from this workshop provided an understanding of Capita's financial planning strategy and current mitigation measures. The outputs of the workshop and the exposure modelling were assessed to provide an overall potential impact rating for each risk outlined in the risk table.</p> |

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

| Risk description                                                                                                                                                                                                                        | Climate scenario and time horizon                                                                                                                                   | Potential impact                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | Mitigation actions                                                                                                                                                                                                                                                                                                                                                                                                                                             |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Water stress</b>                                                                                                                                                                                                                     |                                                                                                                                                                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| <p>Failure of renewable water supply to water demand, in excess of water use, or a drop in higher quality water, which is more cost-effective than lower quality water, as well as the availability of as well as the cost of water</p> | <p>Scenario: SSP3-HQ2045<br/>High carbon<br/>Future time horizon: 2045<br/>Long term<br/>Baseline: 1980-2014</p>                                                    | <p>Seven sites in two locations were found to have potential impact from water stress, due to high exposure and reduced ability to water stress-related power issues. The other modelled sites were found to have a low to moderate impact to the water supply.</p> <p>Main impacts identified</p> <ul style="list-style-type: none"> <li>Power outages</li> <li>Water sanitation and wastewater facility maintenance, increased cost and volatility of water supply</li> </ul>                                                                                                                                    | <ul style="list-style-type: none"> <li>Leasing agreements can provide flexibility and mitigation if water stress is considered</li> <li>Include water stress risk into long-term contracts</li> <li>Integrate water stress risk into site location considerations</li> <li>Engage in water working arrangements, including water sharing protocols</li> <li>Consider potential carbon emissions from mitigation techniques (e.g. diesel generators)</li> </ul> |
| <b>Carbon pricing</b>                                                                                                                                                                                                                   |                                                                                                                                                                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| <p>Costs associated with tax on carbon dioxide (CO<sub>2</sub>) emissions, which are not reduced costs of carbon dioxide tax, and carbon dioxide tax, and carbon dioxide tax</p>                                                        | <p>Scenario: IEA net zero and NGFS divergent net zero (low carbon &lt;2 °C)<br/>High carbon<br/>Future time horizon: 2045<br/>Long term<br/>Baseline: 1980-2014</p> | <p>Potential minor impact to Capita from an explicit carbon tax but the impact cost of carbon could have a greater impact if not considered in financial planning</p> <p>Main impacts identified</p> <ul style="list-style-type: none"> <li>Increased costs of operations and energy procurement</li> </ul> <p>BAU projections show significantly greater impact than from emissions reduction in line with net zero target. Capita's current strategy is showing much greater reduction to risk from carbon pricing due to implemented carbon reduction strategies and targets compared with the BAU scenario</p> | <ul style="list-style-type: none"> <li>Focus on emissions reductions across all scopes and ensure that the net zero and medium-term reduction targets are met</li> <li>Engage with supply chain</li> <li>Implement an internal price of carbon</li> <li>Build costs into financial and energy procurement planning and strategy</li> </ul>                                                                                                                     |

| Risk description                                                                                                                                               | Climate scenario and time horizon                                                                                                           | Potential impact                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | Mitigation actions                                                                                                                                                                                                                                                                                                          |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Supply chain pass-through cost</b>                                                                                                                          |                                                                                                                                             |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |                                                                                                                                                                                                                                                                                                                             |
| <p>Costs from direct taxation on suppliers' emissions, passed through to Capita and indirect costs from the low carbon transition on Capita's supply chain</p> | <p>Scenario: IEA net zero and NGFS divergent net zero (low carbon &lt;2 °C)<br/>Time horizon: 2019-2050<br/>Short, medium and long term</p> | <p>Potential minor impact on Capita from an explicit carbon tax but the implicit cost of carbon could have a greater impact if not considered in financial planning</p> <p>Main impacts identified</p> <ul style="list-style-type: none"> <li>Increased pass-through costs from supply chain as carbon intensive parts of the supply chain are impacted by increasing carbon prices.</li> </ul> <p>BAU projections show significantly greater impact than from emissions reduction in line with net zero target. Capita's current strategy is showing much greater reduction to risk from carbon pricing due to implemented carbon reduction strategies and targets compared with the BAU scenario</p> | <ul style="list-style-type: none"> <li>Focus on emissions reductions, particularly for Scope 3 and ensure that the net zero and medium-term reduction targets are met</li> <li>Engage with supply chain</li> <li>Implement an internal price of carbon</li> <li>Build costs into financial planning and strategy</li> </ul> |



In August 2022, the July identified risk into our risk register, which was then elevated to a principal risk. As a principal risk, climate change is subject to oversight by the ARC and Board, and the risk is reassessed to the Group Head of Environment Risk identification and assessment process, since establishing climate change as a principal risk. Capita has built on the work of our colleagues to understand how these identified opportunities manifest for different divisions and functions. A list of risks and opportunities was developed and cross-referenced against both a peer review and a third party legal register service provider and a third party legal register service provider, and an online compliance tool. Identified risks are added to Capita's risk register and escalated to the Executive Committee if needed. Each identified risk is evaluated against six impact categories: finance, people, legal & regulatory, business, community and strategy. Wherever possible, the highest priority will determine the

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

### Climate-related metrics:

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

- Scopes 1-3 emissions: we measure and disclose our operational (Scope 1 and 2) and business travel (Scope 3) GHG emissions. (actually see page 43 and our low value chain emissions via CDP's climate questionnaire in accordance with the GHG Protocol's methodology)
- Exposure to climate related risks: the climate scenario analysis conducted under strategy informs the amount of potential financial exposure to material climate impacts.

- Revenue from climate-related opportunities in 2025. Capita will initiate the categorisation of services that directly/indirectly enable GHG emission reductions through customer implementation. Once defined, systems will be adjusted to track low carbon-related revenues.
- Capital deployment on management of climate risks and opportunities. Capita has established a climate transition plan to achieve net zero and the costs of achieving this target in alignment with the SBTi are being reviewed in 2023-2025.

- Internal carbon price. Capita is exploring how a bespoke internal carbon price can be used in the capital allocation process to support the business case for investment in low carbon initiatives.
- Proportion of executive remuneration assigned to climate considerations. Capita incorporated performance against Capita's climate targets in remuneration policy in FY2022.

### Other climate-related indicators monitored:

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

### Climate-related targets:

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

### Overall net zero target

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

### Near-term targets

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

### Long-term targets

Capita commits to reduce absolute Scope 1 and 2 GHG emissions and absolute Scope 3 GHG emissions covering purchased goods & services, capital goods, business travel and employee commuting 50% by 2035 from a 2019 base year.

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

## Risk management and internal control

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

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

In 2022, inflation rates in the UK and around the world rose significantly, pushing costs across the supply chain. The cost of energy, in particular, rose sharply, and Russia's invasion of Ukraine with its associated economic and supply chain disruption had a negative impact on many areas in our gas and power sectors across the world.

In 2022, 93% of the Bank of England warned that the UK was facing its largest economic downturn, expected to extend well beyond 2024, and employment likely to double

to 6.5% during the country's two-year slump. Whilst the latest economic projections in the Bank of England's February 2023 Monetary Policy Report anticipate a less severe downturn, there remains considerable uncertainty about the strength of the economy and Capita will continue to monitor the impact on our principal risks.

### Internal control and risk management

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

The Board recognises that Capita's control effectiveness remains dependent on management intervention and that weaknesses in control documentation can lead to process variability across the Group. The Board and the Audit and Risk Committee

therefore do not underestimate the work needed to ensure that robust internal control and risk assessment frameworks are embedded fully. Work will continue to be undertaken during 2023 to enhance and improve the standardisation and overall effectiveness of the Group's internal control framework.

### Key control questionnaire

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

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

### Minimum control standards

The senior finance team undertake an annual self-assessment of financial controls across the Group against a specified set of Minimum Control Standards focused on identifying areas to strengthen controls of improve efficiency.

Any material issues are dealt with through mitigating activities to ensure the effectiveness of the existing controls over financial reporting. During 2022, the Finance function continued to enhance the self assessment process across the whole organisation to obtain assurance

over the operation of key financial controls. It is intended that this process will continue to operate in 2023, in parallel with new and existing control initiatives such as the finance control framework project, which will focus on strengthening key system access controls; refining key finance policies and standards and continuing to simplify and standardise key financial controls.

### Risk oversight and governance

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

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

## Risk governance structure and assurance lines

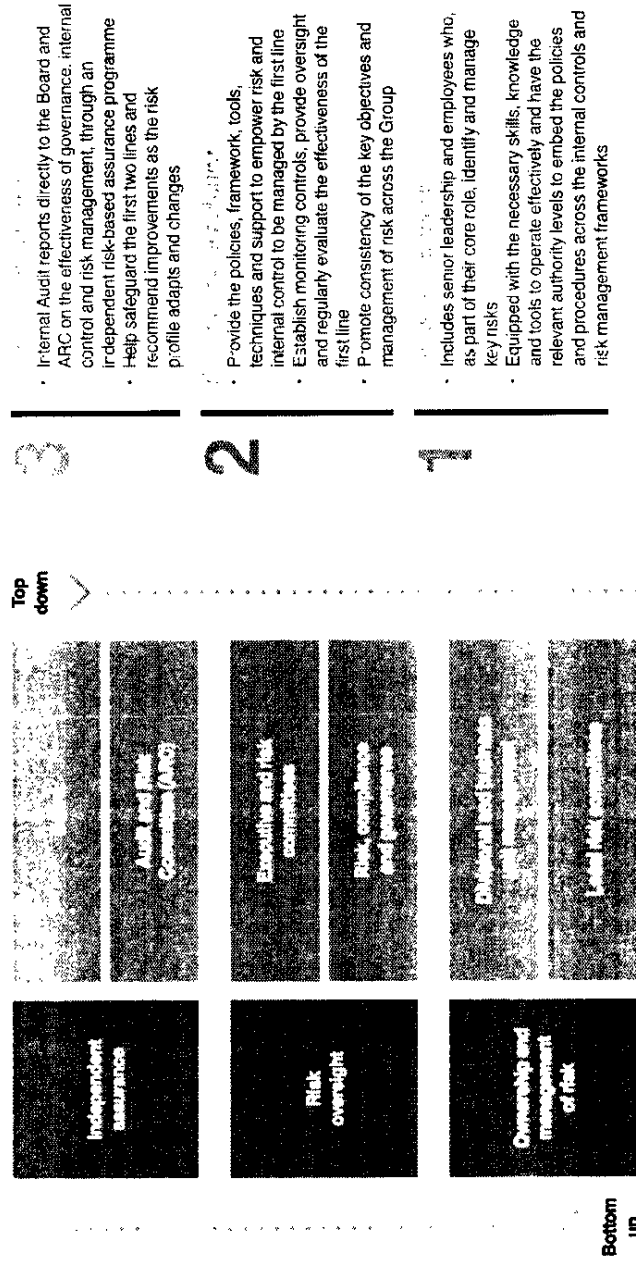
Each year, the ARC reviewed, discussed and agreed the risk management framework and the annual assessment of the system of risk management and internal control to monitor the effectiveness of the procedures for internal control over financial reporting, compliance and operational matters.

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

The EFC assesses the importance to clients and customers of the financial services businesses it operates and the need for specific oversight of those with high regulatory risks.

Overseeing these businesses, which is provided by the financial regulated entities (FRCs), is a core duty of EFC. The EFC is chaired by an independent non-executive director, supported by specialist risk and compliance professionals and provides regular updates to the ARC.

The day-to-day decisional and functional responsibilities for leadership and business risk are shared by the enterprise and monitor risks that could impact the enterprise. Capita recognises that risk cannot be fully eliminated and that there are certain risks the Board and/or the enterprise will accept when pursuing strategic business opportunities. However, where risk acceptance decisions are made at an appropriate authority level and reflect the organisation's defined risk appetite, Capita's risk governance framework is designed to ensure



### Risk management process

The risk management framework ensures that ownership and responsibility for identification, assessment and management of key risks and opportunities are embedded throughout Capita. The Board sets the context for risk management through defining the strategic direction and risk tolerances for the organisation as a whole. The divisions, functions and business unit teams then work

in collaboration to undertake a 'top down' bottom up approach to identify, assess and respond to risks faced by Capita.

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

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

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

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

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

## Risk appetite

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

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

## Emerging risks

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

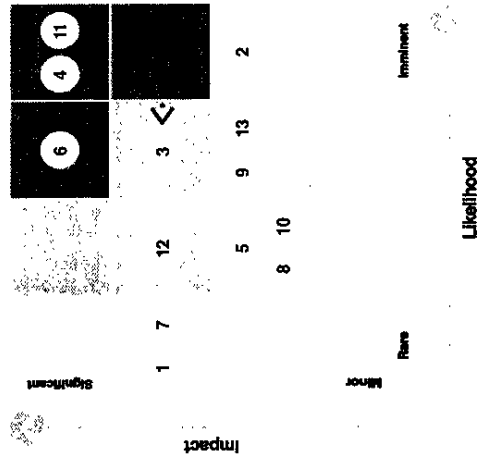
## Principal risks

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

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

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

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



Key: Level of risk

Critical

The maximum level of risk Capita can bear and remain effective at delivering its strategy. Of immediate critical concern.

Uncomfortable

Risk level will cause problems that would put uncomfortable pressure on delivery.

Vulnerable

Risk level likely to cause problems that would put uncomfortable pressure on delivery.

Acceptable

A business-as-usual risk, manageable with the right people and processes in place to respond to the threat. A tolerable level of risk.

●...>

Risk movement since 2021 year end

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

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

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

| Potential impact                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | How we manage the risk                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
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| <p><b>1</b> <b>Failure to live our purpose and failure to change stakeholder perception so that we are seen to live our purpose</b></p> <p>As a constituent of the UK's largest financial services group, we are subject to intense scrutiny from a wide range of stakeholders, including regulators, investors, the media, and the public. Our purpose is to 'improve the lives of our customers and the communities we serve'. We are committed to living our purpose and to being seen to live our purpose. We are committed to being seen to live our purpose and to being seen to live our purpose.</p> <p><b>Mitigation actions in 2022</b></p> <ul style="list-style-type: none"> <li>Established a Board-level ESG committee, to oversee our ESG initiatives</li> <li>Established ESG strategy oversight into the Group People function to ensure a fully consistent approach</li> <li>Developed a robust approach to how we measure social value across the company, to ensure we are seen to live our purpose</li> </ul> <p><b>Future actions</b></p> <ul style="list-style-type: none"> <li>Refresh our corporate responsibility framework, strategy to ensure maximum impact and alignment with our working practices</li> <li>Continue to build external visibility of activities related to our purpose values, business, and ESG's objectives</li> <li>Further develop our approach to social value delivery in order to align with our purpose</li> </ul> | <p><b>2</b> <b>Failure to define, resource and execute the right medium-term strategy</b></p> <p>As a constituent of the UK's largest financial services group, we are subject to intense scrutiny from a wide range of stakeholders, including regulators, investors, the media, and the public. Our purpose is to 'improve the lives of our customers and the communities we serve'. We are committed to living our purpose and to being seen to live our purpose. We are committed to being seen to live our purpose and to being seen to live our purpose.</p> <p><b>Mitigation actions in 2022</b></p> <ul style="list-style-type: none"> <li>Embedded the operating changes and focused on growth in our areas of core competencies</li> <li>Continued to dispose of portfolio businesses at the right price to reduce debt and improve liquidity</li> <li>Reviewed the divisional medium-term strategies, including market and competitor analysis, which were also presented to the Board and Executive Committee</li> <li>Investment provided to develop and implement the first stage of Public Service divisions' digital strategy</li> <li>Operational optimisation plan prepared within the Experience division for delivery throughout 2023</li> <li>Strengthened its commercial model with more stringent pricing discipline, given the macroeconomic backdrop</li> </ul> <p><b>Future actions:</b></p> <ul style="list-style-type: none"> <li>Focus on growth in our areas of core competency</li> <li>Execute and deliver Public Service division's digital strategy</li> <li>Investment programme</li> <li>Embed Experience division's operating model changes to drive more effective operations and delivery</li> <li>Review and enhance Capita's strategic partnerships ecosystem</li> </ul> |

Risk management  
and internal control  
continued

| Strategic report                                                                                                                                                                                                                                                                                                   | Potential impact                                                                                                                                                                                                                                                                                                                                                                 | How we manage the risk                                                                                                                                                                                                                                                                                                                                                                       | Principal risk and risk level                                                                                                                                                                                                                                                                                                                                                    | Potential impact                                                                                                                                                                                                                                                                                                                                                                             | How we manage the risk                                                                                                                                                                                                                                                                                                                                                            |
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| <b>3</b><br><b>Failure to innovate and develop new value propositions for clients and customers</b><br>As our mainline customers, particularly in the UK, face an adjustment challenge as a result of working with inflation, our ability to deliver new value propositions is critical.                           | • Failure to develop and deliver new value propositions for our mainline customers, particularly in the UK, could result in a loss of market share and a decline in revenue.<br>• Failure to develop and deliver new value propositions for our mainline customers, particularly in the UK, could result in a loss of market share and a decline in revenue.                     | <b>Mitigation actions in 2022</b> <ul style="list-style-type: none"> <li>• Continued to develop and deliver new value propositions for our mainline customers, particularly in the UK, through our innovation hub.</li> <li>• Continued to develop and deliver new value propositions for our mainline customers, particularly in the UK, through our innovation hub.</li> </ul>             | • Failure to develop and deliver new value propositions for our mainline customers, particularly in the UK, could result in a loss of market share and a decline in revenue.<br>• Failure to develop and deliver new value propositions for our mainline customers, particularly in the UK, could result in a loss of market share and a decline in revenue.                     | <b>Mitigation actions in 2022</b> <ul style="list-style-type: none"> <li>• Continued to develop and deliver new value propositions for our mainline customers, particularly in the UK, through our innovation hub.</li> <li>• Continued to develop and deliver new value propositions for our mainline customers, particularly in the UK, through our innovation hub.</li> </ul>             | <b>Future actions:</b> <ul style="list-style-type: none"> <li>• Continued to develop and deliver new value propositions for our mainline customers, particularly in the UK, through our innovation hub.</li> <li>• Continued to develop and deliver new value propositions for our mainline customers, particularly in the UK, through our innovation hub.</li> </ul>             |
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| <b>4</b><br><b>Failure to attract, develop, engage and retain the right people for current and future client propositions</b><br>As our mainline customers, particularly in the UK, face an adjustment challenge as a result of working with inflation, our ability to deliver new value propositions is critical. | • Failure to attract, develop, engage and retain the right people for our mainline customers, particularly in the UK, could result in a loss of market share and a decline in revenue.<br>• Failure to attract, develop, engage and retain the right people for our mainline customers, particularly in the UK, could result in a loss of market share and a decline in revenue. | <b>Mitigation actions in 2022</b> <ul style="list-style-type: none"> <li>• Continued to attract, develop, engage and retain the right people for our mainline customers, particularly in the UK, through our talent hub.</li> <li>• Continued to attract, develop, engage and retain the right people for our mainline customers, particularly in the UK, through our talent hub.</li> </ul> | • Failure to attract, develop, engage and retain the right people for our mainline customers, particularly in the UK, could result in a loss of market share and a decline in revenue.<br>• Failure to attract, develop, engage and retain the right people for our mainline customers, particularly in the UK, could result in a loss of market share and a decline in revenue. | <b>Mitigation actions in 2022</b> <ul style="list-style-type: none"> <li>• Continued to attract, develop, engage and retain the right people for our mainline customers, particularly in the UK, through our talent hub.</li> <li>• Continued to attract, develop, engage and retain the right people for our mainline customers, particularly in the UK, through our talent hub.</li> </ul> | <b>Future actions:</b> <ul style="list-style-type: none"> <li>• Continued to attract, develop, engage and retain the right people for our mainline customers, particularly in the UK, through our talent hub.</li> <li>• Continued to attract, develop, engage and retain the right people for our mainline customers, particularly in the UK, through our talent hub.</li> </ul> |
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| <b>5</b><br><b>Failure to change the culture and practices of Capita in line with our purpose and strategy</b><br>As our mainline customers, particularly in the UK, face an adjustment challenge as a result of working with inflation, our ability to deliver new value propositions is critical. | • Failure to change the culture and practices of Capita in line with our purpose and strategy could result in a loss of market share and a decline in revenue.<br>• Failure to change the culture and practices of Capita in line with our purpose and strategy could result in a loss of market share and a decline in revenue. | <b>Mitigation actions in 2022</b> <ul style="list-style-type: none"> <li>• Continued to change the culture and practices of Capita in line with our purpose and strategy through our culture hub.</li> <li>• Continued to change the culture and practices of Capita in line with our purpose and strategy through our culture hub.</li> </ul> | • Failure to change the culture and practices of Capita in line with our purpose and strategy could result in a loss of market share and a decline in revenue.<br>• Failure to change the culture and practices of Capita in line with our purpose and strategy could result in a loss of market share and a decline in revenue. | <b>Mitigation actions in 2022</b> <ul style="list-style-type: none"> <li>• Continued to change the culture and practices of Capita in line with our purpose and strategy through our culture hub.</li> <li>• Continued to change the culture and practices of Capita in line with our purpose and strategy through our culture hub.</li> </ul> | <b>Future actions:</b> <ul style="list-style-type: none"> <li>• Continued to change the culture and practices of Capita in line with our purpose and strategy through our culture hub.</li> <li>• Continued to change the culture and practices of Capita in line with our purpose and strategy through our culture hub.</li> </ul> |
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| Risk management and internal control continued |                                                                                                                   | How we manage the risk                                                                                                                                                                                                                                                                                                                                      |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | Potential impact                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | How we manage the risk                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
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| 6                                              | <b>Failure to protect data, information and IT systems</b><br>Accountable officer: Chief Technology Officer (CTO) | <ul style="list-style-type: none"> <li>Loss or theft of confidential data or customer data due to cyber attack</li> <li>Disruption to business operations of Capita and our customers due to cyber attack</li> <li>Loss of access to data or loss of Capita's data centre</li> <li>Regulatory damage leading to loss of new or existing business</li> </ul> | <p>TSS was retained in August 2021 as an IT and Software Shared Service to deliver products and services to Capita's colleagues and clients. The consolidation of IT services and capability into TSS enables Capita to better manage and continuously improve the IT and other resilience risks, enhance service levels and create repeatable and scalable products and services, and to quickly respond to any changes.</p> <p><b>Mitigation actions in 2022</b></p> <ul style="list-style-type: none"> <li>Established the Technology Strategy for TSS as a wider response to enterprise standardisation and harmonisation of Capita's IT landscape</li> <li>Strategy created on the back of binary completion industry in market and about an decade of Capita's technology demands</li> <li>Consolidation of over 4,000 IT resources into a shared service, to increase efficiencies and improve service levels</li> <li>Improved stability of IT environment</li> <li>Mitigation from legacy hosting into a tier 3 industry standard for improved data centre performance, removal of end-of-life systems</li> <li>Implemented a data lead role for technology to ensure full oversight of any up coming technology enablement</li> </ul> <p><b>Future actions:</b></p> <ul style="list-style-type: none"> <li>Enhance our understanding and assessment of the technology risk profile by creating a capability risk register</li> <li>Continue to evolve our cyber security posture</li> <li>Create a project capital table as a key shared service to consolidate our capability, a steady and culture of resilience</li> <li>Continue to assess to our capabilities of IT people</li> <li>Worked with the market and third parties to the standard of priority technology</li> <li>IT Assets of Capita, that it is to ensure the stability of the table</li> </ul> | <p><b>Failure to secure new contracts/ extend existing contracts and services</b></p> <p>Accountable officers: divisional CFOs</p> <ul style="list-style-type: none"> <li>Loss of contracts</li> <li>Inability to acquire new business</li> <li>Contract terms and service commitments affected and understood</li> <li>Exposure to unexpected cost cost</li> <li>Overruns or overruns of budgets and</li> <li>Reputation damage</li> <li>Financial claims</li> <li>Penalties and other disputes with clients</li> <li>Adverse impact on contract profitability</li> </ul> | <p>We continue to bid for and win new contracts that we are confident we have the resources and proven track record to deliver. Continued focus on maximising the benefit of our operating model will ensure our competitiveness in our principal markets. Coupling this with our deep sectoral understanding through the industry verticals in our core divisions should enable us to maximise our market opportunities.</p> <p><b>Mitigation actions in 2022</b></p> <ul style="list-style-type: none"> <li>Refreshed the contract review committee policy and deal review process</li> <li>Solution lifecycle refresh in Public Service</li> <li>Public Service commercial playbook develop and embed</li> <li>Delegation of authority matrices updated to reflect new ways of working</li> <li>Coordination between Pursuit Programme and Performance teams improved</li> <li>Go to market strategies to influence market trends and solutions approved by the Board</li> <li>Focused on our technology and digital assets in collaboration with TSS and our Products and Customer Value Proposition teams</li> </ul> <p><b>Future actions:</b></p> <ul style="list-style-type: none"> <li>Investment in digital propositions to enhance attractiveness to the market</li> <li>Form the strategic deals team to support high value multi-year contract opportunities</li> <li>Deploy clear focus on growth across geographies with specialisation across go to market value propositions</li> <li>Enhance the new organisation and operating model to enhance market penetration via land and expand opportunities</li> <li>Recalibrate pre-sales to delivery process, including governance across quality of deals, with focus on margins and profitability</li> </ul> |
|                                                |                                                                                                                   |                                                                                                                                                                                                                                                                                                                                                             |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |

| Potential impact                                                                                                                                                                                                                                                                                                                                                                                                | How we manage the risk                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p><b>8 Failure to delight clients and deliver and contractual obligations</b></p> <p>Accountable officer: CEOs</p> <p>Loss of existing contracts, brand and reputation damage, limited or no ability to win business, demotivated staff leading to attrition and loss of capability, financial penalties and in-source credits.</p>                                                                            | <p>We deliver services that are vital to the success of our clients. Capital call time, all reasonable steps to ensure it meets contracted obligations are taken. Performance against obligations is regularly and thoroughly monitored through several governance forums.</p> <p><b>Mitigation actions in 2022</b></p> <ul style="list-style-type: none"> <li>• Continued development of the operational spending management to drive simplification and streamlining of service delivery</li> <li>• Increased automation of Development Operations</li> <li>• Improvements undertaken to operational performance reporting to support earlier identification of potential performance issues</li> <li>• Risk reduction through identification of potential performance reporting opportunities to deliver better outcomes for our clients</li> <li>• Continued operational maturity assessments undertaken to identify and address delivery challenges in future</li> <li>• Rolled out forecast demand planning tool to better predict and manage recruitment pipeline and mitigate attrition risk across the business</li> <li>• Introduced a new customer success framework</li> </ul> <p><b>Future actions:</b></p> <ul style="list-style-type: none"> <li>• Project Accelerator to review, transform and streamline current capabilities and operational processes</li> <li>• Continued focus on brand and reputation</li> <li>• Continued investment in training and development to ensure our people are equipped to deliver the best service to our clients</li> <li>• Focus on delivery of timely, secure and scalable solutions</li> <li>• Review and improve our client onboarding and onboarding experience</li> <li>• Develop customer success capability</li> <li>• Develop customer success capability</li> </ul> |
| <p><b>9 Failure to maintain a risk-based system of internal control</b></p> <p>Accountable officer: CFO</p> <p>Financial misstatement and inadequate financial reporting, greater regulatory or client scrutiny, increased costs associated with risk, non-compliance activities, breaches of law, regulatory and legal reporting leading to regulatory fines, damages and adverse media, incorrect leading</p> | <p>Our internal controls effectiveness has historically been dependent on management experience and intervention. A multi-year control improvement programme is underway with progress being made in establishing and communicating standards, automating system access controls and streamlining control activities across the Group. The implementation of efficient processes and controls is key in reducing effort, application and costs to mitigate the impact of inflation in the Group.</p> <p><b>Mitigation actions in 2022</b></p> <ul style="list-style-type: none"> <li>• Established a programme to standardise finance processes and controls</li> <li>• Further improved the coverage of financial policies and associated standards</li> <li>• Refreshed and updated the delegation of authority document following the implementation of the new divisional structure</li> <li>• Deployed software which has automated reviews of access to key finance systems</li> </ul> <p><b>Future actions:</b></p> <ul style="list-style-type: none"> <li>• Continue to standardise finance processes and controls</li> <li>• Review and refresh the framework that ensures compliance with quality of control work policies and standards</li> <li>• Further documentation of our key business processes to ensure additional standardisation and automation of our key business processes</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                    |
| <p><b>10 Failure to plan for, influence and respond to potential changes in the geopolitical climate</b></p> <p>Accountable officer: CEO</p> <p>Unable to respond rapidly and effectively to new political priorities which threaten the scalability of our different and public sector customer priorities</p>                                                                                                 | <p>We may encounter changes in government priorities as we approach a period of political turbulence in the run-up to a UK general election. We continue to monitor, engage and communicate with government stakeholders to understand emerging policy and contribute to consultations where appropriate. Our continued commitment to being a leading responsible business, our reputation for reliable delivery of end-to-end contracts that enhance social value will remain our key focus.</p> <p><b>Mitigation actions in 2022</b></p> <ul style="list-style-type: none"> <li>• Continued engagement with UK Government and others to promote and protect reputation</li> <li>• Continued monitoring of policy developments including emerging plans for governmental strategic objectives including levelling up</li> </ul> <p><b>Future actions:</b></p> <ul style="list-style-type: none"> <li>• Engage with Government and elected reps from all main UK political parties, including the devolved parliaments and assemblies to communicate Capital's delivery performance and capability and our commitment as a responsible business</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |

| Strategic report |                                                                       | Risk management and internal control continued                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                                                                                                                                                                                                                                                                                                                                                                                                                | Capita plc<br>Annual Report 2022                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | 62 |
|------------------|-----------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----|
| 11               | Failure to maintain financial stability and achieve financial targets | Potential impact                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | How we manage the risk                                                                                                                                                                                                                                                                                                                                                                                         | Potential impact                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | How we manage the risk                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |    |
|                  |                                                                       | <ul style="list-style-type: none"><li>• Poor cash flow and high levels of debt requiring liquidity available for investment in business</li><li>• <b>Mitigation actions in 2022</b></li><li>• Completed the disposal of several key businesses including the Insurance business (Payday) and the real estate and infrastructure construction businesses</li><li>• Approved an extension to the Group's RCF in August 2024</li><li>• <b>Future actions:</b></li><li>• A completion of remaining planned disposals of businesses</li><li>• Review the Group's capital structure on completion of disposals</li><li>• Continued focus on resources in the two core divisions and rework in Group centrally with the aim of delivering sustainable financial results</li></ul> | <p>The impact of the challenges arising from the environment on the trading performance of the Group is outlined in the 'Key financial indicators' section. The Group's internally generated cash flow is a key driver of its performance, providing a platform to reduce short-term debt and to invest in the long-term growth of the business. All series for the risk are set out in the risk register.</p> | <ul style="list-style-type: none"><li>• poor health, injury, and death of colleagues and service users</li><li>• legislative breaches/prosecutions, including corporate manslaughter</li><li>• costs associated with compensation and litigation</li><li>• reputational damage</li><li>• increased levels of absenteeism and recruitment challenges</li><li>• increased insurance premiums</li><li>• loss of contracts or inability to win new contracts</li><li>• reduced willingness of contractors to work with Capita</li></ul> | <p>The Covid-19 crisis and rising inflation have increased financial and social concerns for many Capita colleagues with significant potential consequences for their day-to-day lives. These types of social, financial and practical day-to-day impacts are known to have potential negative effects on wellbeing in general and mental health in particular.</p> <p><b>Mitigation actions in 2022</b></p> <ul style="list-style-type: none"><li>• Developed and implemented a culture of ownership and accountability for the wellbeing, safety and health of our people by Group, Divisional and business leadership</li><li>• Assessed and validated Capita's legal and statutory wellbeing, safety and health requirements</li><li>• Updated the approach and process to wellbeing, safety and health incident and near-miss reporting, management and analysis</li></ul> <p><b>Future actions:</b></p> <ul style="list-style-type: none"><li>• Complete detailed team Capita wellbeing assessment</li><li>• Develop a pan-Capita mental health plan including alignment</li><li>• Initiate new mandatory HSE training programme</li><li>• Expand proactive occupational health intervention programme in Capita UK</li><li>• Review and confirm health screening policies for all Capita business units</li></ul> |    |

### 13 Failure to adapt Capita and its services to the impacts of climate change

Accountable officer: Chief Executive and Company Secretary

#### Potential impact

- unpredictable shift in markets for low carbon leading to increased costs and reduced revenue
- increased cost and uncertainty of investment in new technology and substitution of existing products and services
- rapid global decarbonisation leading to climate change adaptation to an increased cost of transition and decarbonisation resulting from transition to a lower carbon economy
- impact on service delivery and continuity of an from extreme weather events; impacts of global warming in different territories on businesses; continuity and staff welfare

#### How we manage the risk

- The global economic environment is continuing to lower-than-expected delivery against commitments made at COP26, which may lead to an increasingly disorderly low carbon transition. Scenario analysis of climate risks and opportunities point to a greater threat of disruption from disorderly transition requiring immediate action to minimise the impact to Capita, its stakeholders and wider society.

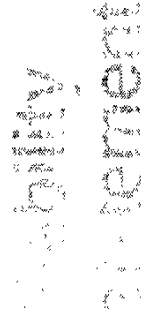
#### Mitigation actions in 2022

- Linked objectives and management duties to net zero initiatives
- Reviewed the risk policy to include specific environmental factors and creation of a new environmental strand
- Engaged with suppliers and customers to ensure resilience to transitional and physical climate risk, developing low carbon business solutions
- Supported net zero commitments
- Introduced further efficiency, renewable energy and travel reduction programmes

#### Future actions:

- Integrate climate culture and advice into Capita business as usual
- Progress against targets a priority in both social performance reporting from 2024
- Continue to improve understanding and insight of our Scope 3 emissions
- Increase accuracy and maturity of supply chain emissions reporting and extend scope of supply chain engagement
- Develop and implement net zero plan and low carbon transition plan
- Further develop our business database analysis insights and associated actions to minimise climate risk





On 31 December 2022, under section 31 of the UK Corporate Governance Code 2018, the Board has assessed the viability of the Group and Parent Company over the three-year period to 31 December 2025, aligned with the period of the Group's bottom-up business planning process. The Board believes that a three-year period provides sufficient clarity to consider the Group and Parent Company's prospects and facilitates the development of a robust base case set of financial projections against which severe but plausible downside scenario stress testing can be conducted.

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

- The simplification and strengthening of the Group's organisation design establishing two core divisions focused on public and private care, which provided a platform for enhanced revenue growth and delivery of efficiency savings
- Adjusted revenue growth in 2022 of 2.4%
- A significant reduction in the Group's cost base with cumulative savings during the transformation programme of £128m

- The ongoing successful execution of the non-core business disposal programme which has released net cash proceeds totalling c.£1.3bn since 1 January 2018 used to repay maturing debt, to make further deficit reduction contributions to the Group's main defined benefit pension scheme and to invest in driving growth in the remaining core businesses

- The repayment of £1.7bn of debt, including lease liabilities, since 1 January 2018
  - The extension during 2022 of the Group's revolving credit facility (RCF) to 31 August 2024 and in February 2023 the Group entering into a committed bridge facility of £50m with three of its relationship banks providing additional liquidity from 1 January 2024
  - The payment of c.£350m of deficit reduction contributions to the Group's main defined benefit pension scheme since 1 January 2018, and the commitment to a further c.£70m of deficit reduction contributions across 2023-2024 which should enable the scheme to reduce its reliance on the covenant of the Group
- The foregoing elements provide the backdrop to the three-year business plan approved by the Board in January 2023 and are key factors in the Directors' viability assessment. The main assumptions underpinning the base case financial projections in the Group's business plan are set out below
- Further adjusted revenue growth broadly in line with market trends in each of the two core divisions

- Operating profit margin expansion over the business plan period reflecting the benefit of operating leverage coupled with ongoing efficiency delivery
- Completion of the portfolio disposal programme during 2023
- The refinancing of the Group's RCF prior to its maturity in August 2024.

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

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

The risks applied have not been probability weighted but rather consider the impact should each risk materialise by applying a more likely

than not test. These wide-ranging risks are unlikely to crystallise simultaneously and there are mitigations under the direct control of the Group, including reductions in capital investment, substantially reducing and/or removing in full bonus and incentive payments and significantly reducing discretionary spend that can be actioned to address a combination of risk crystallisations that may occur under a severe but plausible downside. These have been considered in the Board's viability assessment.

Based on this assessment and reflecting the Board's confidence in the platform for improving financial performance resulting from completion of the transformation plan and the Group's ability to refinance, the Board has a reasonable expectation that the Group and Parent Company will be able to continue in operation and meet their liabilities as they fall due over the period of the viability assessment.

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

**Claire Denton**  
**Chief General Counsel and Company Secretary**

27 October 2022

Capita plc, 100 Boulevard

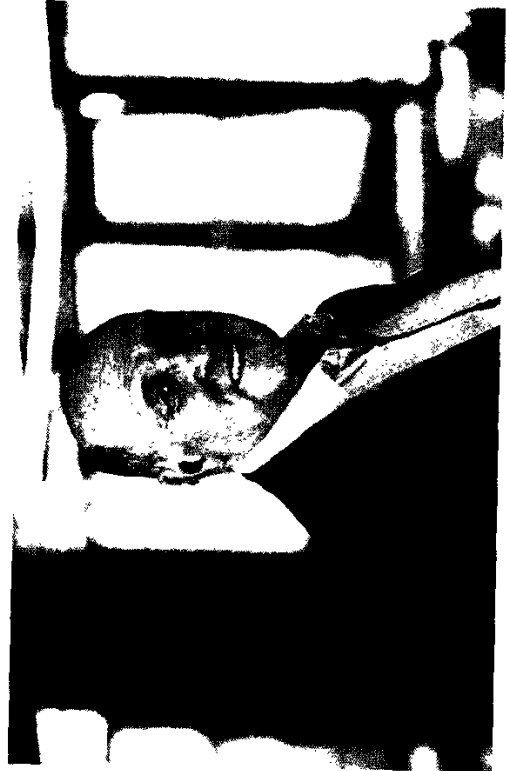
Capita plc, 100 Boulevard

# Corporate governance



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

Capita is committed to creating an environment where diversity and inclusion are valued and encouraged, and where we benefit from all perspectives.



## Corporate governance

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

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

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

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

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

## Board composition

There were several changes to the Board during 2022.

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

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

Female representation

31 December 2022

44.4%

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

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

Our first female chair of Director on 1 January 2021 and was appointed as Senior Independent Director on 1 March 2021. Sir Ian Powell stepped down as Chairman at the conclusion of the Company's AGM on 1 July 2022 and I was pleased to accept the Chairman appointment, having been appointed as Chairman designate on 22 March 2022 as part of the Board's succession planning. During the last 4 months of Sir Ian's Chairmanship in 2021, I provided outstanding leadership and strategic guidance to the Board during a period of significant change for the business.

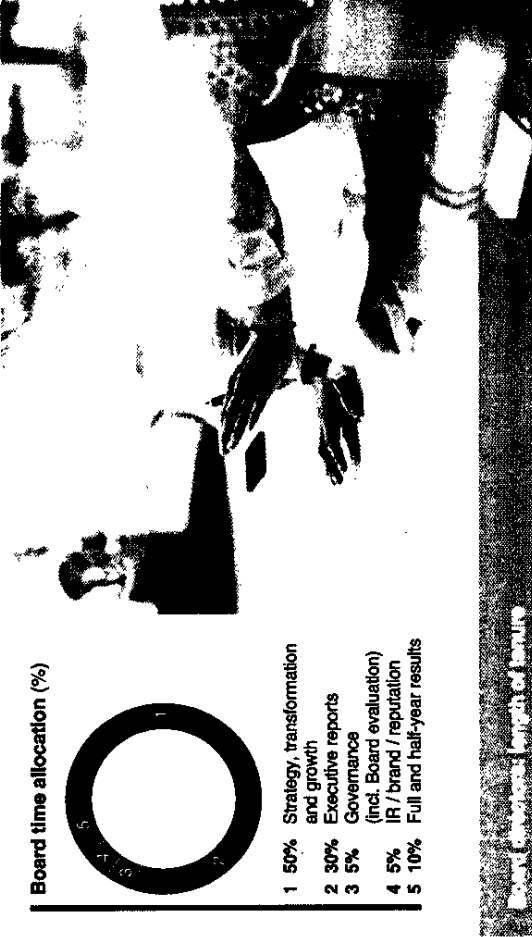
On 3 February 2023, we announced that John Cresswell, independent Non-Executive Director had decided to step down from the Board with effect from 31 March 2023. I would like to thank John for his commitment and valuable contribution to the Board during his seven year tenure as a director.

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

### Company purpose and culture

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

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



Board members (effective 1 January 2023)

|                         |        |
|-------------------------|--------|
| David Lowden (Chairman) | 1 year |
| Jon Lewis (CEO)         | 1 year |
| Tim Weller (CFO)        | 1 year |
| Georgina Harvey*        | 1 year |
| John Cresswell          | 1 year |
| Nicola Dwan             | 1 year |
| Nneka Abulokwe*         | 1 year |
| Janine Goodchild        | 1 year |
| Brian McArthur-Muscroft | 1 year |

Board members (effective 1 January 2022)

|                         |        |
|-------------------------|--------|
| David Lowden (Chairman) | 1 year |
| Jon Lewis (CEO)         | 1 year |
| Tim Weller (CFO)        | 1 year |
| Georgina Harvey*        | 1 year |
| John Cresswell          | 1 year |
| Nicola Dwan             | 1 year |
| Nneka Abulokwe*         | 1 year |
| Janine Goodchild        | 1 year |
| Brian McArthur-Muscroft | 1 year |

The remuneration committee is provided for guidance only and other matters are also covered by the Board.

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

| Metric                                                                                                        | 2022       | 2021       |
|---------------------------------------------------------------------------------------------------------------|------------|------------|
| Employee Net Promoter Score as a measure of employee satisfaction                                             | +15 points | +22 points |
| Employee engagement index as a measure of employee engagement                                                 | 65%        | 50%        |
| Employee responsiveness rate as a measure of employee engagement                                              | 72%        | 66%        |
| Employee rating of manager confidence, fairness of how managers live our values and demonstrate our behaviour | 90%        | 87%        |
| Voluntary turnover as a measure of employee commitment                                                        | 32%        | 30%        |

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

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

## Board evaluation

The Board carries out effectiveness reviews annually (due to the changes in Board membership and in external evaluation being undertaken in 2021, the 2022 evaluation was undertaken internally). Key findings of the evaluation performed in 2022 are set out below, together with actions taken during the year in response to the 2021 external evaluation performed by Independent Board Evaluation.

| Finding from 2021 evaluation                                                                                                                                                                                                                                   | Action in 2022                                                                                                                                                                                                                                                 |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| ... of culture and further information on each of these, and the Group's approach to investing in and rewarding its workforce is set out in the people and responsible business sections of the Strategic report on pages 33 to 36 and 37 to 45, respectively. | ... of culture and further information on each of these, and the Group's approach to investing in and rewarding its workforce is set out in the people and responsible business sections of the Strategic report on pages 33 to 36 and 37 to 45, respectively. |

| Finding from 2021 evaluation                                                                                                                                                                                                                                   | Action in 2022                                                                                                                                                                                                                                                 |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| ... of culture and further information on each of these, and the Group's approach to investing in and rewarding its workforce is set out in the people and responsible business sections of the Strategic report on pages 33 to 36 and 37 to 45, respectively. | ... of culture and further information on each of these, and the Group's approach to investing in and rewarding its workforce is set out in the people and responsible business sections of the Strategic report on pages 33 to 36 and 37 to 45, respectively. |

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

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

| Finding from 2022 evaluation                                                                                                                                                                                                                                   | Proposed actions in 2023                                                                                                                                                                                                                                       |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| ... of culture and further information on each of these, and the Group's approach to investing in and rewarding its workforce is set out in the people and responsible business sections of the Strategic report on pages 33 to 36 and 37 to 45, respectively. | ... of culture and further information on each of these, and the Group's approach to investing in and rewarding its workforce is set out in the people and responsible business sections of the Strategic report on pages 33 to 36 and 37 to 45, respectively. |

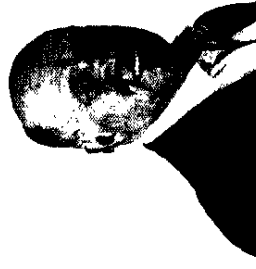
## Corporate governance and committee reports

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

David Lowden  
Chairman

## Board members

### Chairman



**David Lowden**



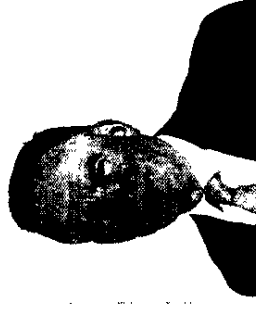
**Appointed:** January 2021 (Independent Non-Executive Director); March 2021 (Senior Independent Director); May 2022 (Chairman)

**Independent at appointment:** Yes

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

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

### Executive Directors



**Jon Lewis**



**Appointed:** December 2017

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

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

**External appointments:** board member of Equinor ASA.



**Tim Weller**



**Appointed:** May 2021

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

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

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



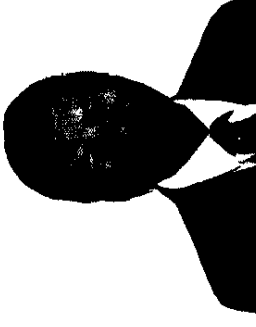
**Georgina Harvey**



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

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

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



**Brian  
McArthur-Muscroft**



**Appointed:** June 2022

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

**Other current appointments:**

Chief Financial Officer of Oontigo a financial intelligence and investment management business.

## Independent Non-Executive Directors

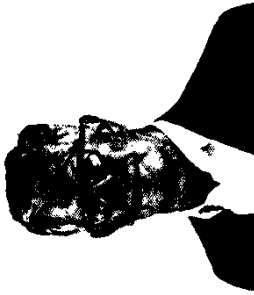


### Nneka Abulokwe OBE

**Appointed:** February 2022

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

**Other current appointments:** Non-Executive Director, Davies Group; Director of MeritMax Consulting Limited; external member of the Audit & Risk Committee, University of Cambridge; adviser to a number of boards of multinational Advisory Board and Blackwood Africa.



### John Cresswell

**Appointed:** November 2015

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

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



### Neelam Dhawan

**Appointed:** March 2021

**Key skills and experience:** Neelam has 20+ years' leadership experience in the IT industry where she held senior positions in Hewlett-Packard, Microsoft, Cognizant and IBM with responsibility for a wide range of areas including strategy, corporate development, software engineering and offshoring. She now advises multinationals on business and technology transformation and, until recently, was an advisor to IBM in India. Neelam recently stepped down from the Board of Skylo Technologies Inc. and as a member of Korumilike Philips NV Supervisory Board, having served for the maximum term of 10 years.

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



### Janine Goodchild

**Appointed:** July 2022

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

**Other current appointments:** None.

### Directors who served during the year 2022

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

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

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

2000

**Code** committed to maintaining high standards of accounting

code

Corporate Governance Statement  
The UK Corporate Governance Code (the Code) is available from the  
company's website. The Code is available from the company's website.

throughout the accounting period to which this report relates, the Company has complied with the relevant provisions set out in sections 1 to 5 of the Code except in relation to the Audit and Risk Committee (ARCo) and the Remuneration Committee (RemCo) of the Company. The ARCo and RemCo have been replaced by the Audit and Risk Committee (ARC) and the Remuneration Committee (RemCo) respectively from 1 January 2012.

The Board consists of five directors, three non-executive directors as Joseph Brownne (member since 24 June 2022), David Lowden (non-executive director) until 30 June 2022) and Lyndsey Harvey (member since 24 June 2022). Following David Lowden's departure from the Board on 30 June 2022 having served their three-year term (until 30 June 2022), were both re-elected at the AGM held on 30 June 2022. However, the Board meetings should be replicated on those two committees, Lyndsey Harvey (member since 24 June 2022) and Joseph Brownne (member since 24 June 2022).

[illegible][illegible]

sufficient time available to devote to the duties of the office. The Board of Directors, while the ARC, which is a non-profit organization, has no directors, while the ARC, which is a non-profit organization, has no directors.

ultimated in the appointment of non-executive directors, who are detailed on page 85. Don't fail to read the section on the appointment of non-executive directors, which is detailed on page 85.

The HemCo comprises solely independent non-executive directors, which is advantageous as HemCo comprises solely independent non-executive directors, comprising John Cresswell, Brian McAthur-Muscroft, employee non-executive director, and Janine Goodchild, employee non-executive director.

...demonstrate how the Group values diversity of  
...values-driven approach  
...purely compliance-driven views  
...recognising the strong views  
...more important than the 20%  
...number of the RemCo  
...more than the more than 76.

The appointment of Janine as a member of the ARC, as detailed on page-  
appointment of Janine was considered as a member.  
and that this is considered as a member.  
perspective and that this is considered as a member.  
to the Code. Janine was not appointed at the 2022 AGM, as detailed on page-  
of shareholders relating to the independence of Lyndsay at the 2022 AGM, as detailed on page-  
at shareholders against the re-election of Lyndsay, which does not comply with provision 24 of the Code,  
membership of the ARC, which does not comply with provision 24 of the Code,  
of votes cast against the re-election of Lyndsay, which does not comply with provision 24 of the Code.

Except for Janine's membership with all relevant provisions of the Antitakeover Act, the Company currently complies with all relevant provisions of the Antitakeover Act. During the year

company currently on the year

**Board changes** – Brian McArthur resigned as a director of the ARC on 30 January 2022. George Abulwaj and Nneke Abulwaj were appointed as his successors on 10 May 2022. George Abulwaj resigned as a director of the ARC on 1 February 2022. Nneke Abulwaj was appointed as his successor on 10 May 2022. George Abulwaj resigned as a director of the ARC on 1 February 2022. Nneke Abulwaj was appointed as his successor on 10 May 2022.

[illegible]

Executive Director on June 20, 1990

**...after year end**

**Board changes**

There have been no changes to the Board of Directors since the meeting on February 2, 2023. John joined the Board of Directors on March 31, 2023, and his term of office will expire on March 31, 2025.

From 1 February 2025, the effect from 31 March 2024 to 31 March 2025 period.

On 3 February 2007, the Board with effect from 1 January 2007 and at the date of this report is shown in the following table. A significant contribution during this period.

### Position

...ard composition

Composition of  
a table.

| Executive directors | Independent non-executives |
|---------------------|----------------------------|
| Jon Lewis           | David Lowden               |
| Tim Waller          | Georgina Harvey            |
|                     | Brian McArthur-Muscat      |
|                     | Brian Creswell             |
|                     | John Chiswell              |
|                     | Neelam Dhawan              |
|                     | Neelka Abdulkarim          |

12  
2 4 6  
Nikolaus

1. 1. The first part of the document is a title page.

$$= \frac{1}{\Gamma(\alpha)} \int_0^t (t-s)^{\alpha-1} f(s) ds$$

$\rho_{\text{eff}} = \frac{\rho}{1 + \beta}$

100

100

## The Board

### Role of the Board

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

### Key responsibilities of the Board

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



### Nomination Committee

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

### Audit and Risk Committee

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

### Remuneration Committee

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

### ESG Committee

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

[Read more on page 86.](#)

[Read more on page 80.](#)

[Read more on page 98.](#)

[Read more on page 88.](#)

## Role of the directors

### Chairman

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

### Senior independent director

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

### Non-executive directors

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

### Executive directors

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

### Employee non-executive directors

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

## Board meetings and attendance

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

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

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

<sup>1</sup> David Lowden has a conflict of interest, and therefore a validly held right to abstain from voting, in relation to the proposed appointment of a new director to the Board, and the proposed re-election of a director to the Board. The conflict of interest arises from the fact that David Lowden is a director of the company, and the proposed appointment of a new director to the Board, and the proposed re-election of a director to the Board, would result in David Lowden being a director of the company, and the proposed appointment of a new director to the Board, and the proposed re-election of a director to the Board, would result in David Lowden being a director of the company.

<sup>2</sup> Jon Lewis has a conflict of interest, and therefore a validly held right to abstain from voting, in relation to the proposed appointment of a new director to the Board, and the proposed re-election of a director to the Board. The conflict of interest arises from the fact that Jon Lewis is a director of the company, and the proposed appointment of a new director to the Board, and the proposed re-election of a director to the Board, would result in Jon Lewis being a director of the company.

<sup>3</sup> Brian McArthur-Muscroft, John Cresswell, Neelani Dhawan, Nneka Abulokwe, Janine Goodchild, Sir Ian Powell, Matthew Lester, Lyndsay Browne and Joseph Murphy have all declared that they do not have a conflict of interest in relation to the proposed appointment of a new director to the Board, and the proposed re-election of a director to the Board.

The Board has a policy of ensuring that all directors are available to attend all Board meetings.

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

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

During 2022, the following formal director meetings took place:

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

## Board leadership

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

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

## Governance and strategy

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

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

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

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

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

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

### Board independence

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

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

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

### Matters reserved for the Board

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

- **Strategy and management**, including responsibility for the overall leadership of the Group, setting the Group's purpose, values and strategy, and monitoring alignment with culture
- **Structure and capital**, including changes relating to the Group's capital structure and major changes to the Group's corporate structure, including acquisitions and disposals and changes to the Group's management and control structure.

- **Financial reporting**, including the approval of the Annual Report, half-yearly report, trading statements, preliminary announcement for the final results and dividend, treasury and accounting policies.
- **Internal controls**, ensuring that the Group manages risk effectively by approving its risk appetite and monitoring aggregate risk exposures
- **Contracts**, including approval of all major capital projects and major investments
- **Ensuring satisfactory communication** with shareholders
- **Board membership and other appointments**, including changes to the structure, size and composition of the Board, and succession planning for the Board and senior management

### Board of directors' induction and training

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

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

Ongoing training and briefings are also given to all directors, including external courses as required. Tailored induction programmes were prepared for Nneka Abulokwe, Brian McArthur-Muscroft and Janine Cockchild to ensure they were properly equipped to fulfil their roles.

## Company Secretary

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

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

## Shareholder engagement

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

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

## Principal decisions

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

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

## Shareholder meetings

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

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

*The Chairman and S&P are normally available to meet with Capita's significant shareholders*

## 2022 voting outcome

At our 2022 AGM, the Board was again pleased that the majority of resolutions were passed with a high level of support from shareholders. The Board has considered the votes against resolution 11, the re-election of Lyndsay Browne (24.32%) of Lyndsay was appointed as an employee non-executive director in July 2019 and was a member of the RemCo. As an employee non-executive director, Lyndsay was not considered independent. In order to better understand the reasons for these votes against, the Board contacted shareholders who voted against this resolution and considered the views of proxy voting agencies as to voting recommendations (where these had been made) available to the Company.

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

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

## Shareholder communications

In addition to the AGM, shareholders can access up-to-date information through the Group's website at [www.capita.com](http://www.capita.com). Shareholders can also view their holdings by using the Signal shares shareholder portal, a service offered by Link Group, the Group's registrar, at [www.capitashares.co.uk](http://www.capitashares.co.uk). The Signal shares portal is an online service enabling shareholders

to quickly and easily access and maintain their shareholding online. Shareholders can also contact Link by email at [shareholderenquiries@linkgroup.co.uk](mailto:shareholderenquiries@linkgroup.co.uk). Link also provides a telephone helpline 0371 664 0300. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the UK will be charged at the applicable international rate. Lines are open between 9.00am and 5.30pm, Monday to Friday, excluding public holidays in England and Wales.

## Business relationships

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

## Remuneration Committee

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

## Risk management and internal control

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

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

## Other statutory and regulatory information

### Strategic report

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

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

## Corporate governance report

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

## Management report

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

## Post-balance sheet events

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

## Financial results

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

## Election to apply FRS 101 – reduced disclosure framework

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

## Appointment, reappointment and removal of directors

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

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

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

## Group activities

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

## Results and dividends

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

## Conflicts of interest

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

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

## Major shareholders

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

| Shareholder                       | Number of shares | % of voting rights at 31 December 2022 | Number of shares direct | Number of shares indirect |
|-----------------------------------|------------------|----------------------------------------|-------------------------|---------------------------|
| Capitols plc                      | 321,365,363      | 19.0%                                  | -                       | 321,365,363               |
| 1899 Capital Asset Management LLP | 286,449,316      | 17.0%                                  | 286,449,316             | -                         |
| Marathon Asset Management Limited | 126,909,867      | 7.5%                                   | -                       | 126,909,867               |
| Ventus Asset Management LLP       | 83,131,892       | 4.9%                                   | -                       | 83,131,892                |
| Eden Brock Ltd                    | 74,230,358       | 4.4%                                   | -                       | 74,230,358                |
| Investco Ltd                      | 70,883,236       | 4.2%                                   | -                       | 70,883,236                |
| Manehead Group Inc.               | 64,670,000       | 3.8%                                   | 64,670,000              | -                         |
| Veritas Funds PLC                 | 55,009,900       | 3.3%                                   | -                       | 55,009,900                |
| Capital Asset Management Limited  | 53,573,080       | 3.2%                                   | -                       | 53,573,080                |
| Capitol Asset Management LLP      | 51,459,613       | 3.0%                                   | 51,459,613              | -                         |

Capitols plc is a subsidiary of Capita plc. The other shareholders are either individuals or companies. The Company has no knowledge of any agreements or understandings between any of the shareholders which might materially affect the control of the Company.

## Directors' interests

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

## Share capital

At 31 December 2022, the number of ordinary shares of 25 p each in issue, fully paid up and quoted on the London Stock Exchange is detailed in the table below:

|                                     | Number of shares | % of issued share capital |
|-------------------------------------|------------------|---------------------------|
| Issued shares                       | 1,684,273,423    | 100%                      |
| Treasury shares                     | 0                | 0%                        |
| Total voting rights                 | 1,684,273,423    | 100%                      |
| Employee Benefit Trust (EBT) shares | 9,263,250        | 0.55%                     |

At 31 December 2022, the Company had no shares held in treasury.

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

option schemes since the end of the financial year to the date of this report. 37,102 shares have been allotted under the Company's share option schemes since the end of the financial year to the date of this report.

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

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

## Viability statement

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

## Going concern

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

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

The Board monitors closely the Group's funding position throughout the year, including monitoring compliance with covenants and available facilities to ensure it has sufficient headroom to fund operations. In addition to support the going concern assumption, the Board conducts a robust assessment of the Group's financial projections for the foreseeable future, considering also the committed facilities available to the Group. The Board has considered risks to the projections under a severe but plausible downside. This includes adverse impacts arising from revenue growth falling materially short of plan, operating profit margin expansion not being achieved, additional inflationary cost impacts which cannot be passed on to customers, unforeseen operational issues leading to contract losses and cash outflows, increased interest rates, reduction in deferred cash

consideration in respect of completed disposals, non-availability of the Group's non-recourse receivables financing facility and unexpected financial costs and penalties linked to incidents such as data breaches and/or cyber attacks.

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

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

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

#### Auditor review

The auditor has reviewed

- the statements regarding going concern, see page 78,
- the longer-term viability statement, see page 64, and
- those parts of the statement of compliance with the Code relating to

directors and auditor's responsibilities  
the 'fair balanced and understandable' statement  
confirmation of robust risk assessment and monitoring and review of effectiveness of risk management and internal control systems  
AFR composition, role and responsibilities

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

#### Disabled persons

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

#### Employee development and engagement

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

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

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

#### Political donations

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

#### Greenhouse gas emissions

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

GHG emissions (tCO<sub>2</sub>e) and energy use (kWh) for period 1 January 2022 to 31 December 2022

[illegible][illegible]

Energy efficiency action 2022

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

| Building plant upgrades and initiatives           |  | TCO-e reduction per annum |
|---------------------------------------------------|--|---------------------------|
| Replacement of lighting                           |  | 5.6                       |
| Replacement of boilers and air conditioning units |  | 70.1                      |
| Water saving devices (WSDs)                       |  | 5.0                       |
| Energy and building management controls           |  | 49.5                      |
| Efficient air conditioning methods                |  | 5.9                       |
| Control of plant to allow plant                   |  | 48.9                      |
| Energy CO2 reduction                              |  | 185.1                     |

Our virtual meetings initiative resulted in further reductions in business travel CO<sub>2</sub>. Post pandemic, travel emissions began to climb in 2022 but remained significantly below our short-term SBTi target for 2030. We have set a 2035 net zero target to augment our short term 1.5°C science based targets for greenhouse gas reduction. This target covers our full value chain and has been verified by SBTi. In 2022 we set net zero targets for functions and divisions linked to incentive plans to drive progress against our net zero milestones and plan Capita reached the CDP A list for the first time in 2022

Financial instruments

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

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

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

The Group's committed bank facilities provide liquidity for the cash fluctuations of the business cycle and an allowance for contingencies. At 31 December 2022 the RCF commitment was £298.4m (£385.7m at 31 December 2021) and was subsequently reduced to £284.7m on 4 January 2023 following receipt of proceeds from disposals

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

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

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

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

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

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

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

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

The Group is not currently exposed to significant foreign currency transaction risk. The principal exchange rate to services delivery based in India and South Africa, and committed costs relating to the purchase of cloud software services in USD. These exposures are managed through forward foreign exchange contracts including non-deliverable forward contracts which fix the GBP cost of highly probable forecast transactions denominated in INR, ZAR and USD. Further details of the Group's financial instruments can be found in note 4.5 to the consolidated financial statements on pages 106 to 107.

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

#### Directors' indemnities

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

#### Powers of directors

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

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

#### Change of control

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

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

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

#### Rights and restrictions attaching to shares

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

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

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

#### Restrictions on transfer of shares

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

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

#### Annual general meeting

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

In May 2022, shareholders granted authority for the Company to purchase up to 168,427,352 ordinary shares. This authority will expire at the conclusion of the 2023 AGM. No shares were

## Corporate governance statement

## continued

Corporate  
governance

shareholders at the AGM. A resolution to renew this authority will be put to shareholders at the AGM.

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

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## Cross-references

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

| Listing Rule | Subject                         | Page no. |
|--------------|---------------------------------|----------|
| 9.8.4(1)     | Capitalisation of interest      | 196      |
| 9.8.4(2)-(3) | Shareholder waiver of dividends | 77       |

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

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

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Assess the Group and Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; or have no realistic alternative but to do so.

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 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 in the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## Directors' responsibilities

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## Directors' responsibility statement

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

The directors' report on pages 1 to 122 has been approved by the Board on behalf of the Board

**Claire Denton**  
Chief General Counsel and Company Secretary

## Committees

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

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

### Board and subsidiary committees

|                          |                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
|--------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Nomination Committee     | <ul style="list-style-type: none"> <li>Reviews composition of the Board.</li> <li>Recommends appointment of new directors.</li> <li>Ensures plans are in place for orderly succession to both the Board and senior management positions.</li> <li>Oversees development of diverse pipeline for succession.</li> </ul>                                                                                                                                    |
| Audit and Risk Committee | <ul style="list-style-type: none"> <li>Reviews accounting policies and contents of financial reports.</li> <li>Monitors internal control environment.</li> <li>Considers adequacy, effectiveness and scope of external and internal audit programme.</li> <li>Oversees relationship with external auditor.</li> <li>Monitors risk profile and obtains assurance that principal risks have been properly identified and appropriately managed.</li> </ul> |
| Remuneration Committee   | <ul style="list-style-type: none"> <li>Sets policy for Board and senior management remuneration.</li> <li>Approves individual remuneration awards.</li> <li>Agrees changes to senior executive incentive plans.</li> </ul>                                                                                                                                                                                                                               |
| ESG Committee            | <ul style="list-style-type: none"> <li>Oversees the development of the Group's ESG strategy, monitoring its performance in relation to ESG matters.</li> <li>Considers the adequacy of the Group's ESG policies and processes.</li> <li>Oversees and monitors the Group's progress against its net zero emissions strategy.</li> <li>Oversees and supports stakeholder engagement on ESG matters.</li> </ul>                                             |
| Disclosure Committee     | <ul style="list-style-type: none"> <li>Responsible for the appropriate identification and management of inside information, including any decision to delay public disclosure.</li> </ul>                                                                                                                                                                                                                                                                |

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

|                         | Chair | Members | Observer |
|-------------------------|-------|---------|----------|
| David Lowden            | C     | –       | C        |
| Jon Lewis               | X     | –       | –        |
| Georgina Harvey         | X     | –       | C        |
| Brian McArthur-Muscroft | X     | C       | X        |
| John Cresswell          | X     | X       | –        |
| Neelam Dhawan           | X     | X       | X        |
| Nneka Abulokwe          | X     | –       | X        |
| Janine Goodchild        | –     | X       | –        |

(C) Chair

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

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

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

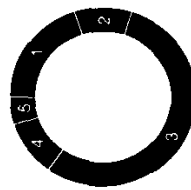
## Nomination Committee report

We are committed to making sure we have the



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

Nomination Committee  
time allocation (%)



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

These figures are for the year ended 31 March 2022 and are subject to audit.

### Key responsibilities

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

### Activity in 2022

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

## Diversity and inclusion

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

Our diversity and inclusion focus is to address diversity, inclusion and wellbeing across the workforce as set out on pages 39 and 40 of the Strategic Report.

### Gender and ethnicity balance

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

At 31 December 2022, female representation on the Board and among senior management<sup>1</sup> was 44%, with male representation among senior management<sup>2</sup> and direct reports was 35%. At 31 December 2022, ethnicity diversity representation on the Board and among senior management<sup>1</sup> was 22%.

### Appointment process

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

### Skills and experience

We are committed to making sure we have the necessary skills, expertise and diversity to help support the delivery of Capita's strategy. During 2022, a Board skills matrix was debated to assist in ensuring the balance of skills and experience of the Board matched the future needs of the business.

### Succession planning and Board composition

Our 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.

### Board appointments during the financial year

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

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

The committee considered succession planning for the role of chairman. Lygon evaluated potential external candidates against David Lowden, the Company's SID and strong internal candidate.

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

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

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

### Board evaluation

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

**David Lowden**  
Chair

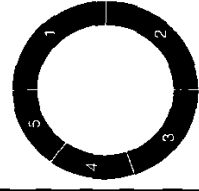
<sup>1</sup> Senior management includes all individuals reporting to the Executive Committee and the Group Central Management.

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



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

ESG Committee time allocation (%)



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

Fig 1: Allocation of time to ESG Committee members, 2022

### Key responsibilities

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

### Activity in 2022

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

The committee has reported on the following themes during the year:

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

### Establishment and role of the committee

In continuing oversight, Capita's conduct as a responsible business and validates through ESG principles, our approach to being a purpose-led business

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

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

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

At each of the attendance of committee members, the following individuals have a standing invitation to attend meetings: Jon Lewis, Cl O'Callaghan, Director of Employee Engagement and D&I and Responsible Business, and Dr Charles Young, Senior Medical Officer, Catlin and Charles Young, Head of Sustainability. The Chief General Counsel and Company Secretary or their nominee can also act as secretary to the committee.

The committee is supported by an ESG working group comprising key individuals in the Group who are responsible for ESG-related matters. Members of the working group are invited to committee meetings to share their perspectives and insights on key issues and external developments. These include, but are not limited to, the Committee stays alert to current and emerging trends and any potential future regulatory and liability issues.

### Focus of the committee

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

#### Net zero target

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

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

In addition, on 4 January 2023, Science Based Targets initiative (SBTi), the globally recognised body for climate-related target setting, verified Capita's 2035 net zero target as compliant with the

highest standards of target setting methodology. At that date, only 134 companies had net zero targets verified by SBTi, showing the level of commitment and authenticity required.

### Task Force on Climate-related Financial Disclosures

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

### The Group's HSE framework and wellbeing of our colleagues

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

### ESG-related bonus targets

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

### Other matters

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

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

**David Lowden**  
Chair

# Audit and Risk Committee Report

Report on the resolution by the Board of the  
Audit and Risk Committee to recommend the  
appointment of the external auditors to the  
Company for the period ending 31 March 2023.



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](http://www.capita.com/investors/corporategovernance). The terms of reference are reviewed annually and updated as required.

## Role and responsibilities

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

### Financial reporting

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

### Risk management, internal control and compliance

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

### Internal audit

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

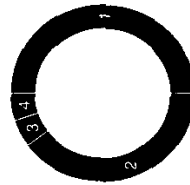
### External audit

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

### Effectiveness

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

## Audit and Risk Committee time allocation (%)



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

The chart illustrates the Audit and Risk Committee's time allocation by category. The chart is based on the data provided in the table above.

## Risk and control framework

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

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

Further detail on the risk management and internal control environment is set out later in this report on page 67.

## Controls improvement

Following the decision by the Board and the committee at the end of 2021 to focus on optimising the current finance reporting systems, programmes have been established to deliver further improvements to the Group risk and control framework, including financial controls. These programmes have focused on the simplification of finance activities and controls, continuing to embed the enterprise risk management framework, and further rationalisation of the overly complex legal structure. Key improvements in 2022 include strengthening key system access controls, refining key policies supporting standards and communications, and continuing to mature risk management within our functions and divisions. In addition the legal entity rationalisation programme progressed well during the year with the number of legal entities in the Group being reduced by 37. At 1 January 2023 the Group had 186 legal entities compared with 365 legal entities in July 2018. The rationalisation programme is ongoing and the number of legal entities will further reduce during 2023. Further improvements to the Group risk and control framework are planned for 2023 taking into consideration the Government's proposed audit and governance reforms.

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

## Committee membership and attendance

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

I joined the committee on 1 June 2022 and was appointed as committee chair on 1 July 2022 with Matthew Lester stepping down as a director and chair of the committee on 30 June 2022. I was also invited to attend the April 2022 committee meeting as an observer. This, together with the one-month handover between Matthew and I, ensured that there was a seamless transition of the committee chair. Prior to my appointment as chair I also met with KPMG, our external auditor, and members of our Group Finance and Internal Audit teams, as part of my induction programme. I would like to thank Matthew for his leadership of the committee. During his five-year tenure as committee chair, Matthew enhanced the committee's focus on financial controls and the identification and management of the material risk factors that Capita continues to face.

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

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

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

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

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

### How the committee operates

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

### How the committee discharged its roles and responsibilities in 2022

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

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

## Financial reporting

### Accounting judgements and significant accounting matters

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

### Fair, balanced and understandable

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

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

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

### Going concern and viability assessment

#### Matter considered

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

#### Action

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

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

#### Outcome

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

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

### Revenue and profit recognition

#### Matter considered

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

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

#### Action

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

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

#### Outcome

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

**Contract fulfilment assets****Matter considered**

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

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

**Action**

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

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

**Outcome**

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

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

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

**Action**

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

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

**Outcome**

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

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

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

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

## Pensions

### Matter considered

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

### Action

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

### Outcome

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

## Deferred tax assets

### Matter considered

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

### Action

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

### Outcome

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

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

## Other issues considered in relation to the financial statements

### Materiality

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

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

At the relevant time, such enquiries, the committee is satisfied that materiality has been applied correctly in the accounts.

### Disclosure of information to the auditor

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

### Statutory auditor

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

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

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

### Auditor independence

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

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

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

### Audit-related services and fees

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

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

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

### External auditor performance

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

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

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

In each year, the Audit Quality Review team (AQRT) 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 AQRT's objective is to monitor and promote improvements in the quality of auditing. The reports highlight improvements required to promote audit quality and areas of good practice. The FRC publishes separate reports on the individual firms, including KPMG.

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

#### External auditor reappointment

Following a robust and rigorous audit tender process in 2018, the committee and Board recommended the reappointment of KPMG LLP as the Group's auditor and this was approved by shareholders at the 2019 AGM. KPMG was first appointed in 2010, initially as KPMG Audit plc. The lead audit partner is rotated on a five-yearly basis. Robert Bent the lead audit partner rotated off the audit team following the completion of the 2021 audit in March 2022 with Ian Griffiths replacing Robert in this role. Ian was appointed following a robust process. Ian attended committee meetings prior to his appointment as lead audit partner as part of ensuring a smooth transition of the changes in lead audit partner. There are no contractual obligations which restrict the committee's choice of auditor.

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

A resolution to reappoint KPMG as the external auditor of the Company will be put forward at the forthcoming annual general meeting. If approved, KPMG will hold office from the conclusion of this

meeting until the conclusion of the next general meeting at which accounts are laid before the Company and its remuneration will be determined by the committee.

#### Review of risk management and internal control

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

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

The committee received reports on the following themes during the year

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

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

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

The committee concluded that the Group risk and control framework, including financial controls and a number of frameworks are planned for 2023 to ensure that financial controls are appropriately efficient for a Group of the scale and complexity of Capita.

### Internal audit

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

The three year plan approved by the committee in June 2021, which focuses on key business risks and processes provides better insight into how risk is being managed and provides comparison to those business units. The plan is structured to be flexible to provide assurance over core ongoing change activities.

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

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

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

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

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

### Anti-bribery and corruption

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

### Code of Conduct and Speak Up

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

As part of the relaunch, a 12-month Speak Up communication plan was prepared to raise awareness of this policy and stimulate engagement with employees. The number of reported cases has increased following the relaunch, although reported cases are still considered to be low in certain jurisdictions given the size of Capita. The Chief General Counsel and Company Secretary

are scheduled to visit some of Capita's international sites during 2023 to reinforce and embed the Speak Up policy in these businesses.

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

### Privacy

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

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

**Brian McArthur-Muscroft**  
Chair

## Directors

Our remuneration policy continues to work well supporting our strategy to build a more focused and sustainable business for the long term.

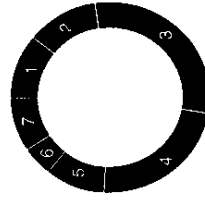
For more information, see page 100.



This report is split into three sections:

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

Remuneration Committee  
time allocation (%)



- 11% Governance
- 12% Executive director and executive committee remuneration
- 30% Annual bonus plan
- 23% LTIP/PSA
- 10% Wider workforce/gender pay gap
- 5% Shareholder consultation/feedback
- 9% Committee time only

## Remuneration Committee membership and attendance

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

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

The formal minutes that are provided for guidance only and all other matters were also considered by the committee.

## Annual statement

### Chair's statement

As a director of the company, I have been involved in the year ended 31 December 2022

in the development of the company's remuneration policy to build a more focused

approach to reward and progress in driving our strategy to build a more focused

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## Committee activities

The key workstreams of the committee during the year included:

• Agreeing the vesting percentage in respect of the 2019 LTIP awards for the performance period ended 31 December 2021.

• Agreeing the vesting percentage in respect of the 2019 LTIP awards for the performance period ended 31 December 2021.

• Agreeing annual bonus awards under the annual bonus plan for the year ended 31 December 2021.

• Agreeing appropriate 2022 PSA levels under the 2021 Capita Executive Plan.

• Agreeing the design and targets for the 2022 annual bonus.

• Agreeing the remuneration arrangements and alignment with those for the wider workforce.

• Determining the remuneration pay arrangements and alignment with those for the wider workforce.

• Consideration of executive pay arrangements and alignment with those for the wider workforce.

• Ongoing workforce engagement in respect of a review of wider workforce strategy on pay and progression (career path framework).

• Reviewing progress updates in respect of 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).

In addition, the committee has ensured that the remuneration policy and practices are clearly communicated to our major shareholders and representative bodies (both on an ongoing basis and during the detailed consultation exercise in respect of the last policy review).

**Clarity** – our policy is well understood by our senior management team and has been clearly articulated to our major shareholders and representative bodies (both on an ongoing basis and during the detailed consultation exercise in respect of the last policy review). A key objective of the committee is to ensure the committee is mindful of the need to avoid overly complex remuneration structures.

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

**Risk** – our policy has been designed to ensure that inappropriate risk-taking is discouraged and will not be rewarded via the balanced use of both short-term incentives and long-term share awards.

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

## How the committee operates

The committee has an annual agenda covering the key planning and decision events in the annual cycle of the company's remuneration policy and practices, which are set out below.

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**Proportionality** – there is a clear link between individual awards, delivery of strategy and our long-term success. The three pillars of performance, conduct and compliance underpins applied to the annual bonus plan and RSAs. In addition, the significant role played by incentive at risk pay together with the structure of the award, as described, serves contracts, ensures that poor performance is not rewarded.

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

## Remuneration for 2022

The details of the approach to remuneration in 2022 was as follows:

- The base salary level for the Chief Executive Officer (CEO) was increased by 3.17% from 1 January 2022 this first salary increase since appointment in 2017). The Chief Financial Officer (CFO) received a salary increase given his recent appointment to the Board in May 2021, which was 1.5% below the target set in line with policy, with a maximum potential of 200% of salary for the CEO and 175% of salary for the CFO. The bonus was based on revenue, profit before tax and free cash flow (all equally weighted and totalling 80% of maximum bonus) with 20% based on a range of other objectives.

CEO's bonus was granted under the Capita Executive Plan in April 2022 at 100% of salary for both the FY ended 31 March 2022 and FY ended 31 March 2023. Further details of the 2022 RSAs are set out in the annual report on remuneration.

### Annual bonus for 2022

- All other members of performance against the annual bonus targets by the committee, annual bonus of 0% of maximum were awarded to the CEO and CFO in respect of the year ended 31 March 2022. The 2022 performance was below the threshold and target and PBT and free cash flow performance were both between target and stretch. However, following a review of the broader stakeholder experience when assessing performance against the financial targets that were set, the committee's calculation of an above-discounting facility to a greater extent than had been assumed in the business plan, the committee exercised negative discretion post year end to reduce the free cash flow element to a target payout. Strategic/individual objectives were considered to have been met to a significant extent. Further details in respect of this performance assessment and the calculation of negative discretion are set out on pages 112/16-115.

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

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

### 2020 LTIP award

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

### Total remuneration

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

### Use of discretion

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

| 2020                                                                                                                                                                                                                                                                 | 2021 | 2022 |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------|------|
| <b>Annual bonus</b> In light of the impact of Covid-19, the committee did not consider the appropriate award payable with our overall strategy for the executive directors. The executive directors' bonus was reduced from 69% to 60% of the maximum, see page 115. |      |      |
| <b>Share awards</b> 2020 LTP was achieved with a bonus payable and 20 awards made, including 10 awards to executive directors and 10 awards to non-executive directors. The committee applied a normal 1% reduction when assessing the vesting of the 2018 LTP.      |      |      |
| <b>Share awards</b> 2021 RSA levels were reduced from the normal policy of 100% to 150% of salary.                                                                                                                                                                   |      |      |
| <b>Share awards</b> 2022 RSA level for the CEO was reduced from the normal award level of 150% of salary to 100% of salary, see page 116.                                                                                                                            |      |      |

### Board changes in 2022

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

John McArthur was appointed non-executive director and Janine Goodchild was elected non-executive director on 1 June 2022 and 1 July 2022 respectively. Anthony Browne and Joseph Murphy stepped down as employee non-executive directors and Matthew Lecker stepped down as non-executive director on 30 June 2022.

### Remuneration policy for 2023

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

### Implementing the policy for 2023

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

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

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

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

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

in respect of the outturns for the 2023 awards underpin 1. Capita's TSR over the three years ending 31 December 2025 must be positive for any executive director and 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 outturns of the RSAs (including to nil).

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

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

Provided sufficient shares under award will be determined just prior to the date of grant and full compliance with the RNS issued immediately following grant.

## Shareholder views

Directors and employees engaged with our major shareholders and the main representative bodies during 2022 AGM. That said, the committee did note concerns from a number of shareholders and proxy advisers regarding the annual bonus awards for 2021 in light of the furlough support received. In response to the feedback received, and as stated in the RNS announcing the 2022 AGM voting results, Capita has committed to repay all furlough support taken during 2021 no later than the first of April.

## Employee engagement

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

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

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

## Concluding thoughts

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

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

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

**Georgina Harvey**  
Chair

## Directors' remuneration policy

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

### Responsibilities and activities of the Remuneration Committee

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

The committee's responsibilities for the executive directors, executive committee members and the Chief General Counsel and Company Secretary role, the committee ensures that the remuneration policy is in the best interest of both the Group and its shareholders by taking into account the following related principles:

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

### Consideration of shareholder views

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

### Consideration of our people

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

## Remuneration policy table

The following table sets out the key aspects of the policy

| Purpose and link to strategy                                                                                    | Operation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | Maximum opportunity                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | Performance framework                                                            |
|-----------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------|
| <b>Base salary</b><br>To attract and retain talent by ensuring base salaries are sufficiently competitive.      | Operation:<br>Normally reviewed annually in December, with any changes usually effective in January. The committee may award salary increases at other times of the year if it considers it to be appropriate. The review takes into account: <ul style="list-style-type: none"> <li>Salaries in similar companies and comparably-sized companies</li> <li>Remuneration policy</li> <li>Economic climate</li> <li>Market conditions</li> <li>Group performance</li> <li>The role and responsibility of the individual director</li> <li>Employee remuneration across the broader workforce.</li> </ul> | There is no proscribed maximum monetary annual increase to base salaries. Any annual increase in salaries is at the discretion of the committee, taking into account the factors stated in this table and the following principles: <ul style="list-style-type: none"> <li>Salaries would typically be increased at a rate consistent with the average salary increase (in percentage of salary terms) for the broader workforce.</li> <li>Larger increases may be considered appropriate in certain circumstances (including, but not limited to, a change in an individual's responsibilities or in the scale of their role or in the size and complexity of the Group).</li> <li>Larger increases may also be considered appropriate if a director has been initially appointed to the Board at a lower than typical salary.</li> </ul> | Individual and business performance are considerations in setting base salaries. |
| <b>Benefits</b><br>Designed to be consistent with benefits available to employees in the Group                  | Operation:<br>Benefits include car allowance, private medical insurance, travel and property hire. Executive directors can also participate in all-employee share plans. The committee has discretion to add additional benefits which are not currently provided, such as relocation expenses.                                                                                                                                                                                                                                                                                                        | Maximum opportunity:<br>Benefit provision varies between different executive directors. While there is no maximum level set by the committee, benefits provision will be set at a level the committee considers appropriate and be based on individual circumstances.<br><br>Participation in the Company's HMRC-approved all-employee share plan will be limited by the maximum level prescribed by HMRC                                                                                                                                                                                                                                                                                                                                                                                                                                  | Performance framework:<br>Not performance-related.                               |
| <b>Pension</b><br>Purpose and link to strategy:<br>Consistent with benefits available to employees in the Group | Operation:<br>Pension contributions are paid into the Group's defined contribution scheme and/or as a cash allowance.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | Maximum opportunity:<br>5% of salary.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | Performance framework:<br>Not performance-related.                               |

## Annual bonus

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

## Restricted share awards

| Performance framework to which the award is linked to                                   | Operation                                                                                                                                                                                                                                                                                                                                                                                                                  | Maximum opportunity | Performance framework                                                                                                                                                                                                                                                                                                                                                                           |
|-----------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Long-term objectives are the primary focus, driving the company to deliver its strategy | Awards will normally vest after three years from grant and, once vested, shares may not normally be sold until at least six years from the grant date, rather than to pay relevant taxes. Dividends or dividend equivalents may accrue over the vesting period and any holding period but only to the extent awards vest. Malus and clawback provisions apply to awards for a period up to the fifth anniversary of grant. | 150% of salary.     | Vesting will be subject to: (i) continued employment; (ii) satisfactory personal performance during the relevant vesting periods; and (iii) a positive assessment of performance against one or more underpinnings. In addition, the committee may reduce the extent to which an award vests if it believes this better reflects the underlying performance of Capita over the relevant period. |

## Shareholding guidelines

| Performance framework to which the guideline is linked to                               | Operation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | Maximum opportunity                                                                                                                                                                                                                                               | Performance framework    |
|-----------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|
| Long-term objectives are the primary focus, driving the company to deliver its strategy | Shareholding guidelines require executive directors to reach a specified shareholding. Executive directors are required to retain 100% of any shares from deferred bonus awards (RSAs for LIPs as granted under the previous policy) on vesting (net of tax) until the guideline level is achieved. Post-cessation guidelines apply to share awards granted following the 2020 AGM. In determining the relevant number of shares to be retained post-cessation, shares acquired from own purchases, any payout awards and share awards granted prior to the 2020 AGM will not be counted. | <b>In employment:</b> 300% of salary (CEO); 200% of salary (CFO).<br><b>Post cessation:</b> 100% of the relevant guideline between cessation, and the second anniversary of cessation (or the actual shareholding if the guideline has not been met at cessation) | Not performance-related. |

Non-executive director (NED) fees

| Purpose and how it's strategy                                                                                                                                                                        | Operation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | Maximum opportunity                                                                                                                                                                                                                                                                                                                                                    | Performance framework    |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|
| Market competitive fees are set so as to attract and retain non-executive directors with required skills, experience and knowledge so that the Board can effectively carry out its responsibilities. | <p>Reviewed periodically by the Board. Fee levels set by reference to market rates, taking into account the individual's experience, responsibilities, time commitment and pay decisions for the broader workforce. NED fees comprise payment of an annual basic fee and additional fees for further Board responsibilities such as:</p> <ul style="list-style-type: none"> <li>• Senior independent director</li> <li>• Audit and Risk Committee Chair</li> <li>• Remuneration Committee Chair</li> <li>• The Chairman of the Board receives an all-inclusive fee.</li> </ul> <p>Additional fees/allowances may also be paid for intercontinental travel for business purposes where appropriate. No NED participates in the Group's incentive arrangements or pension plan or receives any other benefits other than where travel to the Company's registered office is recognised as a taxable benefit in which case a NED may receive grossed-up costs of travel as a benefit.</p> | As per the executive directors, there is no prescribed maximum monetary annual increase. Fees are limited to an aggregate annual sum of £1m increased only to take account of the effect of inflation as measured by the retail price index or such index as the directors consider appropriate or such other amount as the Company may by ordinary resolution decide. | Not performance-related. |

The Board has a policy of reviewing the remuneration of its non-executive directors (NEDs) periodically to ensure that fees are competitive and reflective of the market. The Board's policy is to set fees by reference to market rates, taking into account the individual's experience, responsibilities, time commitment and pay decisions for the broader workforce. NED fees comprise payment of an annual basic fee and additional fees for further Board responsibilities such as:

- Senior independent director
- Audit and Risk Committee Chair
- Remuneration Committee Chair
- The Chairman of the Board receives an all-inclusive fee.

Additional fees/allowances may also be paid for intercontinental travel for business purposes where appropriate. No NED participates in the Group's incentive arrangements or pension plan or receives any other benefits other than where travel to the Company's registered office is recognised as a taxable benefit in which case a NED may receive grossed-up costs of travel as a benefit.

- The Chairman of the Board receives an all-inclusive fee.
- Additional fees/allowances may also be paid for intercontinental travel for business purposes where appropriate.
- No NED participates in the Group's incentive arrangements or pension plan or receives any other benefits other than where travel to the Company's registered office is recognised as a taxable benefit in which case a NED may receive grossed-up costs of travel as a benefit.
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- Senior independent director
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## Malus and clawback

- The terms of feedback provisions apply to all incentive awards granted to executive directors. These awards are payable on the commitment to reduce or recover bonus awards (including deferred salaries) for executive directors after the determination of the annual bonus, and to reduce or recover PSA awards (and EIP awards granted under the previous policy) up to the fifth anniversary of grant. The reduction in award occurs at which makes or clawback provisions can be applied include:
  - material misstatement of a group company's financial results
  - a participant deliberately misstates relevant parties regarding financial performance
  - serious misconduct or conduct which causes significant financial loss
  - a participant's failure to report abnormal volatility of an exceptional basis
  - a participant's breach of accounting or financial information was used to determine the value of an award
  - a participant's failure of risk management
  - a participant's failure of the payment of an insider-trading report

## Application of our remuneration policy

and to encourage a variety of non-monetary, fairly and practices, the orientation towards work organization and labor policies, and the alignment of incentives and rewards with culture.

the results of the study, the authors recommend several key levels of employee involvement in the design of the new technology. First, they recommend that the design team be available early for consultation to afford team members the opportunity to develop a link between the new technology and their organization. They also recommend that the design team be involved in the design of the technology, and that a management network of non-executive directors, the so-called "council with employees," formally review the design of the policy although they do not have a voting role. Finally, they recommend that management and one or two employees meet and discuss the technology in the committee discussions.

## Directors' recruitment and promotions

For each stakeholder, information needed to attract, retain and motivate the best person for each job is different. If you have been assuming a close alignment between the interests of stakeholders, it is time to re-examine that assumption.

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

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

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

For an *interdictional 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 contractual matter affecting obligations or terms, and conditions existing prior to appointment may continue to apply.

The Committee retains discretion to make appropriate remuneration decisions outside the standard bandy to meet the individual circumstances of recruitment when

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

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

## Directors' service agreements and payments for loss of office

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

The service contracts for executive directors are for an indefinite period and provide for a 12-month period of notice. However, the committee has discretion to allow awards to instead continue received and cessation. However, the committee has discretion to allow awards to instead continue to vest in the event of a change of control, all invested LTIP awards/PSAs would (unless rolled over) basis and post-vesting holding periods would normally apply.

In the event of a change of control, all invested LTIP awards/PSAs would (unless rolled over) basis and post-vesting holding periods would normally apply.

Invested deferred share awards would vest in the event of a change of control (unless rolled over), determines otherwise).

Unvested deferred share awards would vest in the event of a change of control (unless rolled over), determines otherwise).

Shares held within the share ownership plan will be removed from the plan or exchanged for replacement shares in accordance with the scheme rules and HMRC guidelines.

Non-executive directors' terms of engagement

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

Employee non-executive directors' terms of appointment

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

Inspection of service agreements/letters of appointment

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

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## Annual report on remuneration

information, remuneration report has been prepared in accordance with The Large and Medium-sized Companies and Groups (Accounts, and Reports) Regulations 2008 (as amended) and the Companies Act 2006 (as amended) and the Listing Rules. The annual report on remuneration will be put to a resolution of shareholders at the AGM. The information on pages 110 to 122 has been prepared on a basis of a shareholder vote at the 2023 AGM. The information on pages 110 to 122 has been prepared on a basis of a shareholder vote at the 2023 AGM.

The remuneration of the committee during 2020 to provide independent advice was set by a chair-led committee. During the year, the committee received updates and feedback from the HR committee and made 4 paid for advisory updates, the operation of the committee followed a shadowed methodology framework and voting in respect of the 2022 AGM and executive roles related to the accounts. FII shares were £79.653 (excluding VAT) during the year. The services performed on a time plus expenses basis. The fees were considered appropriate for the work undertaken. No other services were provided to the Group by FIT or its subsidiaries.

A former member of the Human Resources Committee Group and its subsidiaries operated as a sole trader of conduct in relation to certain activities concerning the UK. This company was established under company law, registration and capital requirements, there are no restrictions on the company's ability to conduct operations and pay dividends.

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

[illegible]

## Shareholder voting at the AGM

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

|                                                                                                                                       | Votes cast for | Votes cast against | Abstentions |
|---------------------------------------------------------------------------------------------------------------------------------------|----------------|--------------------|-------------|
| Directors' remuneration report, other than the part containing the directors' remuneration policy for the year ended 31 December 2021 | 1,148,723,621  | 23,356,565         | 3,956,217   |
|                                                                                                                                       | 98.01%         | 1.99%              |             |
| Directors' remuneration policy (2021 AGM)                                                                                             | 1,264,719,423  | 37,105,242         | 108,597     |
|                                                                                                                                       | 97.13%         | 2.87%              |             |

[illegible]

## Policy implementation for 2023

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

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

A summary of the fees for 2023 are as follows

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

Following a review of the Chairman's fee, including his anticipated time commitment, David Lowden was appointed on an annual fee of £290,000. This is lower than the fee of his predecessor, Sir Ian Powell (£335,000). Fees for non-executive directors, the senior independent director and committee chairs are unchanged from 2022.

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

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

|                             |      | Base, salary<br>and fees<br>£ | Benefits<br>£ | Pension<br>£ | Annual bonus<br>£ | LTI <sup>1</sup><br>£ | RSA<br>£ | Total<br>remuneration<br>£ | Total fixed<br>remuneration<br>£ | Total variable<br>remuneration<br>£ |
|-----------------------------|------|-------------------------------|---------------|--------------|-------------------|-----------------------|----------|----------------------------|----------------------------------|-------------------------------------|
| David Lowdon                | 2022 | 213,447                       | 839           | –            | –                 | –                     | –        | 214,286                    | 214,286                          | 0                                   |
|                             | 2021 | 75,000                        | –             | –            | –                 | –                     | –        | 75,000                     | 75,000                           | 0                                   |
| John Evans                  | 2022 | 748,090                       | 17,986        | 37,400       | 897,600           | 66,986                | –        | 1,767,972                  | 803,386                          | 964,586                             |
|                             | 2021 | 725,000                       | 18,837        | 36,250       | 359,020           | 46,308                | –        | 1,185,415                  | 780,087                          | 405,328                             |
| Lyn Wellpe                  | 2022 | 545,000                       | 18,399        | 27,250       | 572,250           | –                     | –        | 1,162,899                  | 590,649                          | 572,250                             |
|                             | 2021 | 239,337                       | 9,588         | 14,967       | 135,296           | –                     | –        | 459,188                    | 323,892                          | 135,296                             |
| Georgina Harvey             | 2022 | 80,250                        | –             | –            | –                 | –                     | –        | 80,250                     | 80,250                           | 0                                   |
|                             | 2021 | 75,000                        | –             | –            | –                 | –                     | –        | 75,000                     | 75,000                           | –                                   |
| Peter McArthur-Muscroft     | 2022 | 42,875                        | –             | –            | –                 | –                     | –        | 42,875                     | 42,875                           | 0                                   |
|                             | 2021 | –                             | –             | –            | –                 | –                     | –        | –                          | –                                | 0                                   |
| Neha Adikave                | 2022 | 59,125                        | 193           | –            | –                 | –                     | –        | 59,318                     | 59,318                           | 0                                   |
|                             | 2021 | –                             | –             | –            | –                 | –                     | –        | –                          | –                                | 0                                   |
| John Gusswell               | 2022 | 64,500                        | –             | –            | –                 | –                     | –        | 64,500                     | 64,500                           | 0                                   |
|                             | 2021 | 64,500                        | –             | –            | –                 | –                     | –        | 64,500                     | 64,500                           | 0                                   |
| Neelam Dabwan               | 2022 | 94,500                        | 25,599        | –            | –                 | –                     | –        | 90,099                     | 90,099                           | 0                                   |
|                             | 2021 | 53,750                        | 4,000         | –            | –                 | –                     | –        | 57,750                     | 57,750                           | 0                                   |
| Jana E. Goehfeld            | 2022 | 32,250                        | –             | –            | –                 | –                     | –        | 32,250                     | 32,250                           | 0                                   |
|                             | 2021 | –                             | –             | –            | –                 | –                     | –        | –                          | –                                | 0                                   |
| <b>Former Directors</b>     |      |                               |               |              |                   |                       |          |                            |                                  |                                     |
| Sir Ian Powell              | 2022 | 128,951                       | 16            | –            | –                 | –                     | –        | 128,967                    | 128,967                          | 0                                   |
|                             | 2021 | 325,000                       | –             | –            | –                 | –                     | –        | 325,000                    | 325,000                          | –                                   |
| Gordon Esed                 | 2022 | –                             | –             | –            | –                 | –                     | –        | –                          | –                                | 0                                   |
|                             | 2021 | 513,010                       | 1,309         | –            | –                 | –                     | –        | 514,320                    | 514,320                          | 0                                   |
| Patrick Butler              | 2022 | –                             | –             | –            | –                 | –                     | –        | –                          | –                                | 0                                   |
|                             | 2021 | –                             | 905           | –            | –                 | –                     | –        | 905                        | 905                              | 0                                   |
| Matthew Lester              | 2022 | 37,500                        | –             | –            | –                 | –                     | –        | 37,500                     | 37,500                           | 0                                   |
|                             | 2021 | 75,000                        | –             | –            | –                 | –                     | –        | 75,000                     | 75,000                           | 0                                   |
| Baroness Lucy Neville-Rolfe | 2022 | –                             | –             | –            | –                 | –                     | –        | –                          | –                                | 0                                   |
|                             | 2021 | 62,163                        | –             | –            | –                 | –                     | –        | 62,163                     | 62,163                           | 0                                   |
| Gillian Strickson           | 2022 | –                             | –             | –            | –                 | –                     | –        | –                          | –                                | 0                                   |
|                             | 2021 | 15,750                        | 896           | –            | –                 | –                     | –        | 14,646                     | 14,646                           | 0                                   |
| Andrew Williams             | 2022 | –                             | –             | –            | –                 | –                     | –        | –                          | –                                | 0                                   |
|                             | 2021 | 23,292                        | 902           | –            | –                 | –                     | –        | 24,194                     | 24,194                           | 0                                   |
| Judith Browne               | 2022 | 32,250                        | –             | –            | –                 | –                     | –        | 32,250                     | 32,250                           | 0                                   |
|                             | 2021 | 64,500                        | –             | –            | –                 | –                     | –        | 64,500                     | 64,500                           | 0                                   |
| Joseph Murphy               | 2022 | 32,250                        | –             | –            | –                 | –                     | –        | 32,250                     | 32,250                           | 0                                   |
|                             | 2021 | 64,500                        | –             | –            | –                 | –                     | –        | 64,500                     | 64,500                           | –                                   |

## Annual bonus for 2022 (audited)

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

### Financial targets (80% of the bonus)

| Revenue             | Weighting 1% of maximum bonus | Threshold target (25% bonus) | Target (50% bonus) | Stretch (100% bonus) | Actual performance <sup>a</sup> weighting | Achievement against target and performance weighting |
|---------------------|-------------------------------|------------------------------|--------------------|----------------------|-------------------------------------------|------------------------------------------------------|
| £11                 | 26.67%                        | £2.78m                       | £2.932m            | £3.079m              | £2.845m                                   | 35.3%                                                |
| £12, cost share     | 26.67%                        | £3m                          | £3.14m             | £3.29m               | £3.4m                                     | 21.3%                                                |
| medical investments | 80%                           |                              | £2.2m              | £2.2m                | £2.3m                                     | 54.0%                                                |

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1.  $\mathcal{A}$  is a  $\sigma$ -algebra of subsets of  $X$ .  
 2.  $\mu$  is a measure on  $\mathcal{A}$ .  
 3.  $f$  is a real-valued function on  $X$ .  
 4.  $\mathcal{B}$  is a  $\sigma$ -algebra of subsets of  $Y$ .  
 5.  $\nu$  is a measure on  $\mathcal{B}$ .  
 6.  $g$  is a real-valued function on  $Y$ .  
 7.  $\mathcal{C}$  is a  $\sigma$ -algebra of subsets of  $Z$ .  
 8.  $\lambda$  is a measure on  $\mathcal{C}$ .  
 9.  $h$  is a real-valued function on  $Z$ .  
 10.  $\mathcal{D}$  is a  $\sigma$ -algebra of subsets of  $W$ .  
 11.  $\rho$  is a measure on  $\mathcal{D}$ .  
 12.  $k$  is a real-valued function on  $W$ .  
 13.  $\mathcal{E}$  is a  $\sigma$ -algebra of subsets of  $V$ .  
 14.  $\sigma$  is a measure on  $\mathcal{E}$ .  
 15.  $l$  is a real-valued function on  $V$ .  
 16.  $\mathcal{F}$  is a  $\sigma$ -algebra of subsets of  $U$ .  
 17.  $\tau$  is a measure on  $\mathcal{F}$ .  
 18.  $m$  is a real-valued function on  $U$ .  
 19.  $\mathcal{G}$  is a  $\sigma$ -algebra of subsets of  $T$ .  
 20.  $\omega$  is a measure on  $\mathcal{G}$ .  
 21.  $n$  is a real-valued function on  $T$ .  
 22.  $\mathcal{H}$  is a  $\sigma$ -algebra of subsets of  $S$ .  
 23.  $\phi$  is a measure on  $\mathcal{H}$ .  
 24.  $p$  is a real-valued function on  $S$ .  
 25.  $\mathcal{I}$  is a  $\sigma$ -algebra of subsets of  $R$ .  
 26.  $\chi$  is a measure on  $\mathcal{I}$ .  
 27.  $q$  is a real-valued function on  $R$ .  
 28.  $\mathcal{J}$  is a  $\sigma$ -algebra of subsets of  $Q$ .  
 29.  $\psi$  is a measure on  $\mathcal{J}$ .  
 30.  $r$  is a real-valued function on  $Q$ .  
 31.  $\mathcal{K}$  is a  $\sigma$ -algebra of subsets of  $P$ .  
 32.  $\theta$  is a measure on  $\mathcal{K}$ .  
 33.  $s$  is a real-valued function on  $P$ .  
 34.  $\mathcal{L}$  is a  $\sigma$ -algebra of subsets of  $O$ .  
 35.  $\eta$  is a measure on  $\mathcal{L}$ .  
 36.  $t$  is a real-valued function on  $O$ .  
 37.  $\mathcal{M}$  is a  $\sigma$ -algebra of subsets of  $N$ .  
 38.  $\xi$  is a measure on  $\mathcal{M}$ .  
 39.  $u$  is a real-valued function on  $N$ .  
 40.  $\mathcal{N}$  is a  $\sigma$ -algebra of subsets of  $M$ .  
 41.  $\zeta$  is a measure on  $\mathcal{N}$ .  
 42.  $v$  is a real-valued function on  $M$ .  
 43.  $\mathcal{O}$  is a  $\sigma$ -algebra of subsets of  $L$ .  
 44.  $\varpi$  is a measure on  $\mathcal{O}$ .  
 45.  $w$  is a real-valued function on  $L$ .  
 46.  $\mathcal{P}$  is a  $\sigma$ -algebra of subsets of  $K$ .  
 47.  $\varsigma$  is a measure on  $\mathcal{P}$ .  
 48.  $x$  is a real-valued function on  $K$ .  
 49.  $\mathcal{Q}$  is a  $\sigma$ -algebra of subsets of  $J$ .  
 50.  $\omicron$  is a measure on  $\mathcal{Q}$ .  
 51.  $y$  is a real-valued function on  $J$ .  
 52.  $\mathcal{R}$  is a  $\sigma$ -algebra of subsets of  $I$ .  
 53.  $\upharpoonright$  is a measure on  $\mathcal{R}$ .  
 54.  $z$  is a real-valued function on  $I$ .  
 55.  $\mathcal{S}$  is a  $\sigma$ -algebra of subsets of  $H$ .  
 56.  $\kappa$  is a measure on  $\mathcal{S}$ .  
 57.  $aa$  is a real-valued function on  $H$ .  
 58.  $\mathcal{T}$  is a  $\sigma$ -algebra of subsets of  $G$ .  
 59.  $\lambda$  is a measure on  $\mathcal{T}$ .  
 60.  $bb$  is a real-valued function on  $G$ .  
 61.  $\mathcal{U}$  is a  $\sigma$ -algebra of subsets of  $F$ .  
 62.  $\mu$  is a measure on  $\mathcal{U}$ .  
 63.  $cc$  is a real-valued function on  $F$ .  
 64.  $\mathcal{V}$  is a  $\sigma$ -algebra of subsets of  $E$ .  
 65.  $\nu$  is a measure on  $\mathcal{V}$ .  
 66.  $dd$  is a real-valued function on  $E$ .  
 67.  $\mathcal{W}$  is a  $\sigma$ -algebra of subsets of  $D$ .  
 68.  $\omega$  is a measure on  $\mathcal{W}$ .  
 69.  $ee$  is a real-valued function on  $D$ .  
 70.  $\mathcal{X}$  is a  $\sigma$ -algebra of subsets of  $C$ .  
 71.  $\phi$  is a measure on  $\mathcal{X}$ .  
 72.  $ff$  is a real-valued function on  $C$ .  
 73.  $\mathcal{Y}$  is a  $\sigma$ -algebra of subsets of  $B$ .  
 74.  $\psi$  is a measure on  $\mathcal{Y}$ .  
 75.  $gg$  is a real-valued function on  $B$ .  
 76.  $\mathcal{Z}$  is a  $\sigma$ -algebra of subsets of  $A$ .  
 77.  $\chi$  is a measure on  $\mathcal{Z}$ .  
 78.  $hh$  is a real-valued function on  $A$ .  
 79.  $\mathcal{AA}$  is a  $\sigma$ -algebra of subsets of  $ZZ$ .  
 80.  $\theta$  is a measure on  $\mathcal{AA}$ .  
 81.  $ii$  is a real-valued function on  $ZZ$ .  
 82.  $\mathcal{AB}$  is a  $\sigma$ -algebra of subsets of  $YY$ .  
 83.  $\eta$  is a measure on  $\mathcal{AB}$ .  
 84.  $jj$  is a real-valued function on  $YY$ .  
 85.  $\mathcal{AC}$  is a  $\sigma$ -algebra of subsets of  $XX$ .  
 86.  $\zeta$  is a measure on  $\mathcal{AC}$ .  
 87.  $kk$  is a real-valued function on  $XX$ .  
 88.  $\mathcal{AD}$  is a  $\sigma$ -algebra of subsets of  $WW$ .  
 89.  $\varpi$  is a measure on  $\mathcal{AD}$ .  
 90.  $ll$  is a real-valued function on  $WW$ .  
 91.  $\mathcal{AE}$  is a  $\sigma$ -algebra of subsets of  $VV$ .  
 92.  $\varsigma$  is a measure on  $\mathcal{AE}$ .  
 93.  $mm$  is a real-valued function on  $VV$ .  
 94.  $\mathcal{AF}$  is a  $\sigma$ -algebra of subsets of  $UU$ .  
 95.  $\omicron$  is a measure on  $\mathcal{AF}$ .  
 96.  $nn$  is a real-valued function on  $UU$ .  
 97.  $\mathcal{AG}$  is a  $\sigma$ -algebra of subsets of  $TT$ .  
 98.  $\upharpoonright$  is a measure on  $\mathcal{AG}$ .  
 99.  $oo$  is a real-valued function on  $TT$ .  
 100.  $\mathcal{AH}$  is a  $\sigma$ -algebra of subsets of  $SS$ .  
 101.  $\kappa$  is a measure on  $\mathcal{AH}$ .  
 102.  $pp$  is a real-valued function on  $SS$ .  
 103.  $\mathcal{AI}$  is a  $\sigma$ -algebra of subsets of  $RR$ .  
 104.  $\lambda$  is a measure on  $\mathcal{AI}$ .  
 105.  $qq$  is a real-valued function on  $RR$ .  
 106.  $\mathcal{AJ}$  is a  $\sigma$ -algebra of subsets of  $QQ$ .  
 107.  $\mu$  is a measure on  $\mathcal{AJ}$ .  
 108.  $rr$  is a real-valued function on  $QQ$ .  
 109.  $\mathcal{AK}$  is a  $\sigma$ -algebra of subsets of  $PP$ .  
 110.  $\nu$  is a measure on  $\mathcal{AK}$ .  
 111.  $ss$  is a real-valued function on  $PP$ .  
 112.  $\mathcal{AL}$  is a  $\sigma$ -algebra of subsets of  $OO$ .  
 113.  $\omega$  is a measure on  $\mathcal{AL}$ .  
 114.  $tt$  is a real-valued function on  $OO$ .  
 115.  $\mathcal{AM}$  is a  $\sigma$ -algebra of subsets of  $NN$ .  
 116.  $\phi$  is a measure on  $\mathcal{AM}$ .  
 117.  $uu$  is a real-valued function on  $NN$ .  
 118.  $\mathcal{AN}$  is a  $\sigma$ -algebra of subsets of  $MM$ .  
 119.  $\psi$  is a measure on  $\mathcal{AN}$ .  
 120.  $vv$  is a real-valued function on  $MM$ .  
 121.  $\mathcal{AO}$  is a  $\sigma$ -algebra of subsets of  $LL$ .  
 122.  $\chi$  is a measure on  $\mathcal{AO}$ .  
 123.  $ww$  is a real-valued function on  $LL$ .  
 124.  $\mathcal{AP}$  is a  $\sigma$

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## Strategic/individual objectives (20% of the bonus)

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

Jon Lewis and Tim Weller

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



The committee established an ESG committee during 2022. One of the ESG committee's responsibilities is to review performance against ESG metrics in the MBP and to make recommendations to the committee on outcome. Following a review of financial and personal performance, and the ESG committee recommendations by the committee post year end, annual decisions were made of the maximum reduction from 60% of the maximum following the committee's decision to reduce the free cash flow performance to a target performance level. This equates to 420% of salary for the CEO and 105% of salary for the CFO. Consistent with the shareholder vote on the remuneration policy, 50% of the bonus awards will be deferred into Capita plc shares for three years.

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

For performance assessment in respect of the 2020 LTIP awards held by Jon Lewis is as follows:

| Performance relative to FTSE 250 | Weighting | Threshold (25% vest)                                                                                                         | Target (50% vest)                                                  | Stretch (100% vest)                                                                          | Result       | Vesting percentage of maximum |
|----------------------------------|-----------|------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------|----------------------------------------------------------------------------------------------|--------------|-------------------------------|
| Performance relative to FTSE 250 | 75%       | Median performance vs the constituents of the FTSE 250 (excluding performance on a straight line basis between 25% and 100%) | Pro-rata vesting between median and upper quartile of the FTSE 250 | Upper quartile performance vs the constituents of the FTSE 250 (excluding investment trusts) | Below median | 0%                            |

| Responsible business scorecard:                |     |                               |                               |                               |                         |      |
|------------------------------------------------|-----|-------------------------------|-------------------------------|-------------------------------|-------------------------|------|
| Business Unit                                  | 10% | 30%                           | 60%                           | 90%                           | 20 point positive swing | 100% |
| Employee                                       | 10% | 3 point positive swing in NPS | 6 point positive swing in NPS | 9 point positive swing in NPS | 20 point positive swing | 100% |
| Shareholder achievement to prompt payment code | 5%  | 3 point positive swing in NPS | 6 point positive swing in NPS | 9 point positive swing in NPS | Below threshold         | 0%   |
|                                                | 5%  | –                             | Maintain current              | Exceed current                | Exceed                  | 5%   |

Source: The Responsible Business Scorecard 2020, a measure of the relative financial and operational performance of Capita's company to its peers.

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

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

Based on the customer and supplier performance, the committee believes that the 15% vesting is appropriate due to progress made in improving customer satisfaction and supplier payment scores. In addition to noting that the 2020 LTIP award was reduced by 70% compared with normal award levels as a % of salary (which together with the subsequent share price decline has significantly impacted the estimated vesting value) and progress made in respect of the customer and supplier targets (both critical to the delivery of Capita's strategy) the committee also considered Capita's underlying performance over the three-year performance period. In this regard, it noted the material progress that has been made in delivering the strategy including the performance of the disposal programme, the significant strengthening of the balance sheet and strong operational delivery.

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

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

1. For the latest balance sheet value, visit our website for the 2020 LTIP award.  
2. Based on the latest share price of 31 December 2022, of 25.23p.

**RSAs granted in 2022 (audited)**

the effect of the Capital Expenditure Plan in April 2002 as follows

| Names of directors | Number of shares<br>acquired | Fair value of<br>RSA | Percentage<br>of salary |
|--------------------|------------------------------|----------------------|-------------------------|
| John Lewis         | 3,481,985                    | £748,000             | 100%                    |
| John Wilson        | 2,537,008                    | £545,000             | 100%                    |

These CJs award level was reduced from 150% to 100% of salary to reflect the prevailing share of the award pool. The decision to continue to operate at a TSR underpin for these awards, which was significantly underweight at the date of grant. No reduction was made to the CJs as the award pool was not expected to be sufficient to support the challenge. TSR function was significantly underweight at the date of grant. The CJs remained at the same level as in 2021.

For each subject, the relevant time window was defined as the time interval between the last day of the last year of normal employment (or last day of normal employment for subjects on sick leave) and the day of the last day of normal employment (or last day of normal employment for subjects on sick leave). The time window was defined as the time interval between the last day of the last year of normal employment (or last day of normal employment for subjects on sick leave) and the day of the last day of normal employment (or last day of normal employment for subjects on sick leave).

\* *Calendar* – calendar, 134; over the three years ending 31 December 2004 must be positive for any 134A, and 134 of the expected differences to zero, and

Under plan 2, the committee must be satisfied with the underlying performance of Capital and that the company has achieved a reasonable return on capital. If the company fails to meet the required operational targets, the committee will consider a reduction to the final bonus pool of 10% (US\$1.0m) and a further 10% (US\$1.0m) for each subsequent year.

**Directors' interests and shareholding guidelines (audited)**

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

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

|                             | Beneficially held interests at 31 December 2022 | Beneficially held interests at 31 December 2021 | Interests in share incentive schemes awarded without performance conditions at 31 December 2022 | Interests in share incentive schemes awarded without performance conditions at 31 December 2021 | Interests in share incentive schemes awarded subject to performance conditions at 31 December 2022 | Interests in share incentive schemes awarded subject to performance conditions at 31 December 2021 | Interests in share option schemes where performance/vesting conditions have been met but not exercised at 31 December 2022 | Interests in share option schemes where performance/vesting conditions have been met but not exercised at 31 December 2021 | Percentage of shareholding target requirement at 31 December 2022 |
|-----------------------------|-------------------------------------------------|-------------------------------------------------|-------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------|
| David Lowden                | 150,000                                         | 75,000                                          | —                                                                                               | —                                                                                               | —                                                                                                  | —                                                                                                  | —                                                                                                                          | —                                                                                                                          | —                                                                 |
| Jon Lewis                   | 1,414,538                                       | 795,303                                         | 868,456                                                                                         | 516,029                                                                                         | 7,421,085                                                                                          | 5,721,886                                                                                          | 738,877                                                                                                                    | 1,183,666                                                                                                                  | 25%                                                               |
| Tim Weller                  | 274,689                                         | 262,854                                         | 327,276                                                                                         | —                                                                                               | 3,619,703                                                                                          | 1,082,695                                                                                          | —                                                                                                                          | —                                                                                                                          | 10%                                                               |
| Georgina Harvey             | 6,000                                           | 6,000                                           | —                                                                                               | —                                                                                               | —                                                                                                  | —                                                                                                  | —                                                                                                                          | —                                                                                                                          | —                                                                 |
| Brian McArthur-Muscroft     | 0                                               | —                                               | —                                                                                               | —                                                                                               | —                                                                                                  | —                                                                                                  | —                                                                                                                          | —                                                                                                                          | —                                                                 |
| Nneka Abulokwe              | 0                                               | —                                               | —                                                                                               | —                                                                                               | —                                                                                                  | —                                                                                                  | —                                                                                                                          | —                                                                                                                          | —                                                                 |
| John Cresswell              | 65,500                                          | 20,500                                          | —                                                                                               | —                                                                                               | —                                                                                                  | —                                                                                                  | —                                                                                                                          | —                                                                                                                          | —                                                                 |
| Neelam Dhawan               | 0                                               | —                                               | —                                                                                               | —                                                                                               | —                                                                                                  | —                                                                                                  | —                                                                                                                          | —                                                                                                                          | —                                                                 |
| Janine Goodchild            | 0                                               | —                                               | —                                                                                               | —                                                                                               | —                                                                                                  | —                                                                                                  | —                                                                                                                          | —                                                                                                                          | —                                                                 |
| Sir Ian Powell <sup>2</sup> | 100,000                                         | 100,000                                         | —                                                                                               | —                                                                                               | —                                                                                                  | —                                                                                                  | —                                                                                                                          | —                                                                                                                          | —                                                                 |
| Matthew Lester <sup>2</sup> | 49,186                                          | 49,186                                          | —                                                                                               | —                                                                                               | —                                                                                                  | —                                                                                                  | —                                                                                                                          | —                                                                                                                          | —                                                                 |
| Lyndsay Browne <sup>1</sup> | 11,241                                          | 11,240                                          | —                                                                                               | —                                                                                               | —                                                                                                  | —                                                                                                  | —                                                                                                                          | —                                                                                                                          | —                                                                 |
| Joseph Murphy <sup>1</sup>  | 14,431                                          | 11,379                                          | —                                                                                               | —                                                                                               | —                                                                                                  | —                                                                                                  | —                                                                                                                          | —                                                                                                                          | —                                                                 |

1. Includes share awards made on or after 1 December 2021.

2. Includes share awards made on or after 1 July 2021.

3. Includes share awards made on or after 1 July 2021.

between the end of the 2022 financial year and 1 March 2023. Jon Lewis and Tim Weller acquired 2,488 shares under the Capita share ownership plan. Increasing their beneficial interest in ordinary shares of the company to 1,415,782 and 274,933 respectively. Although Capita does not have a formal policy on hedging shares, executive and non-executive directors attest annually they have not entered into any hedging arrangements in the Company.

## Share plans (audited)

### DAB plan

The DAB plan is the deferred element of an individual's annual bonus. Any deferral is made via a cash bonus into deferred shares or as a grant of restricted share award. The deferred bonus is subject to a period of three years from the date of award. This part is not subject to clawback provisions.

### Unvested DAB deferred/restricted awards at 31 December 2022<sup>1</sup>

| Director/award holder | 2022 award <sup>2</sup> | Total   |
|-----------------------|-------------------------|---------|
| Jon Lewis             | 868,456                 | 868,456 |
| Tim Weller            | 327,276                 | 327,276 |

<sup>1</sup> The DAB plan is subject to clawback provisions. Details of the clawback provisions are set out in the 2022 Remuneration Report. The clawback provisions are set out in the table below. The clawback provisions are set out in the table below.

### Unvested LTIP award

| Director/award holder | 2020 award |
|-----------------------|------------|
| Jon Lewis             | 1,770,000  |

The table below shows the performance targets and expected vesting in respect of the 2020 award, awarded out on 1 July 2020.

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

| Performance underpin measure                                                                             | Weighting | Threshold (25% vests)                                                                    | Target (50% vests)                                                                                             | Stretch (100% vests)                                                                             |
|----------------------------------------------------------------------------------------------------------|-----------|------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------|
| Assessment of the underlying financial and operational performance of Capita over the performance period | 75%       | Median TSR performance vs the constituents of the FTSE 250 (excluding investment trusts) | Pro-rating vesting between median and upper quartile performance on a straight line basis between 25% and 100% | Upper quartile TSR performance vs the constituents of the FTSE 250 (excluding investment trusts) |

### Responsible business scorecard:

|                                            |     |                               |                               |                               |
|--------------------------------------------|-----|-------------------------------|-------------------------------|-------------------------------|
| Customer                                   | 10% | 3 point positive swing in NPS | 6 point positive swing in NPS | 9 point positive swing in NPS |
| Employee                                   | 10% | 3 point positive swing in NPS | 6 point positive swing in NPS | 9 point positive swing in NPS |
| Suppliers adherence to prompt payment code | 5%  | –                             | Maintain current              | Exceed current                |

### Unvested restricted share awards

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

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

The underpins for the 2021 awards are as follows:

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

The considerations for the 2022 awards are as follows:

- the performance of Capita's TSR over the three years ending 31 December 2024 must be positive for any executive director to vest; and
- underpinning the committee must be satisfied with the underlying performance of Capita and that it has not been to 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 performance level of the RSAs (including to nil).

### Satisfaction of options

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

### Dilution

- Capital management under plans that incorporate the overall dilution limit of 10% in 10 years. The dilution limit is then from existing awards, including executive and all employee share awards, was 1.00% (2017: 1.43%) of the Company's share capital at 31 December 2022.

### Executive directors' service agreements

| Executive directors | Date of joining the Company | Notice period |
|---------------------|-----------------------------|---------------|
| Jon Lewis           | 1 December 2017             | 12 months     |
| Ian Waller          | 12 May 2021                 | 12 months     |

### Non-executive directors' terms of engagement

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

1. The Committee was satisfied that the remuneration of the non-executive directors is appropriate and that the Committee has acted in the best interests of the Company.

2. The Committee was satisfied that the remuneration of the non-executive directors is appropriate and that the Committee has acted in the best interests of the Company.

3. The Committee was satisfied that the remuneration of the non-executive directors is appropriate and that the Committee has acted in the best interests of the Company.

4. The Committee was satisfied that the remuneration of the non-executive directors is appropriate and that the Committee has acted in the best interests of the Company.

### Board changes

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

### Payments to former directors (audited)

No payments were made to former directors.

### External appointments for executive directors

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



## CEO pay ratio

The table below compares the single total figure of remuneration for the CEO with that of the median of 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<br>pay ratio | 50th percentile<br>pay ratio | 75th percentile<br>pay ratio |
|------|----------|------------------------------|------------------------------|------------------------------|
| 2022 | Option B | 76:1                         | 56:1                         | 36:1                         |
| 2021 | Option B | 45:1                         | 38:1                         | 24:1                         |
| 2020 | Option B | 61:1                         | 44:1                         | 29:1                         |
| 2019 | Option B | 41:1                         | 25:1                         | 14:1                         |

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

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

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

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

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

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

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

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

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

**Gender pay gap reporting**

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

**Relative importance of the spend on pay**

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

## Gender pay gap reporting

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

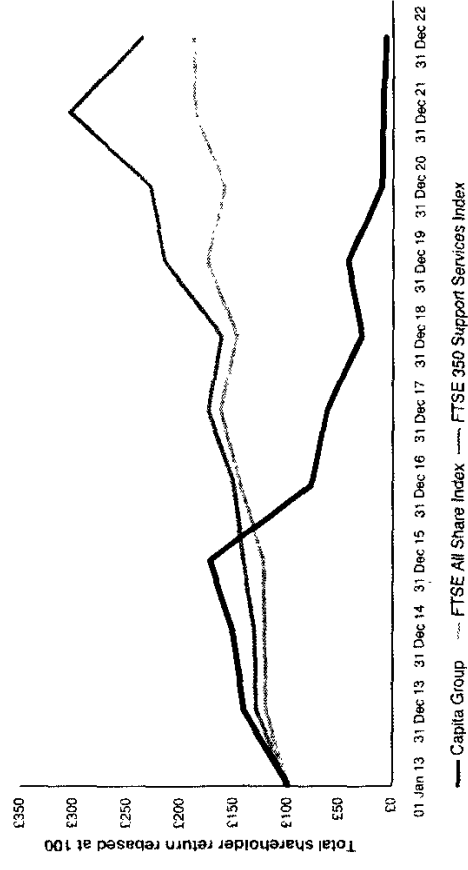
## Relative importance of the spend on pay

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

|                | 2022<br>£m | 2021<br>£m | %<br>change |
|----------------|------------|------------|-------------|
| Employee costs | 1,758.1    | 1,767.1    | -0.51%      |
| Dividends      | —          | —          | —           |

## Performance graph and CEO pay

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



The total remuneration figures for the CEO for 2022 and the previous nine years are shown in the table below based on the single-figure methodology. The dividend paid and LTIP award vesting level as a percentage of the maximum is shown in the table below for the year.

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

| Year | CEO – single figure of total remuneration | Annual bonus (vs max opportunity) | Long-term incentive (vs max opportunity) |
|------|-------------------------------------------|-----------------------------------|------------------------------------------|
| 2022 | £1,767,972                                | 60%                               | 15%                                      |
| 2021 | £1,185,415                                | 24.8%                             | 12.5%                                    |
| 2020 | £1,196,582                                | 0%                                | 60%                                      |
| 2019 | £789,678                                  | 0%                                | 0%                                       |
| 2018 | £2,014,209                                | 85%                               | 0%                                       |
| 2017 | £741,376                                  | 0%                                | 0%                                       |
| 2016 | £982,958                                  | 0%                                | 0%                                       |
| 2015 | £2,620,428                                | 50%                               | 71.4%                                    |
| 2014 | £2,558,998                                | 100%                              | 67.2%                                    |
| 2013 | £2,326,250                                | 75%                               | 54.5%                                    |

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

## Approval of the directors' remuneration report

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

**Georgina Harvey**  
 Chair  
 Remuneration Committee

# Financial statements



**KPMG LLP's Independent Auditor's Report**

To the members of Capita plc



# KPMG LLP's Independent Auditor's Report

To the members of Capita plc

**1. OUR OPINION IS UNMODIFIED**

In our opinion:

- the financial statements of Capita plc give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2022, and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the Parent Company financial statements have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework; and
- the Group and Parent Company financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

**WHAT OUR OPINION COVERS**

We have audited the Group and Parent Company financial statements of Capita plc ("the Company") for the year ended 31 December 2022 included in the Annual Report, which comprise:

| Group (Capita plc and its subsidiaries)                                                                                                                                                                                                                                                                | Parent Company (Capita plc)                                                                                                                                                         |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| The consolidated income statement, consolidated statement of comprehensive income, consolidated balance sheet, consolidated statement of changes in equity, consolidated cash flow statement and related notes, including the accounting policies in section 1 to 6 to the Group financial statements. | The company balance sheet, company statement of changes in equity and the related notes, including the accounting policies in section 7 to the Parent Company financial statements. |

**BASIS FOR OPINION**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion and matters included in this report are consistent with those discussed and included in our reporting to the Group Audit and Risk Committee ("ARC").

We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities.

## KPMG LLP's Independent Auditor's Report



To the members of Capita plc

## 2. OVERVIEW OF OUR AUDIT

FACTORS  
DRIVING OUR  
VIEW OF RISKS

Going concern remains a key audit matter. In FY21, the risk was focussed on the adequacy of disclosures around the material uncertainty. In FY22, the risk has changed to now reflect the judgement taken in reaching the conclusion of no material uncertainty, and adequacy of the accompanying disclosures.

The risk level remains stable for revenue recognition reflecting the volume and magnitude of contractual changes in the period. This KAM is focussed upon variations or modifications for the Group's long-term contracts, for which accounting can involve significant judgement.

The risk associated with impairment of goodwill is deemed as increased, with impairments recognised at both 30 June and 31 December within the Portfolio CGUs. There is inherent uncertainty in forecasting of future cash flows, which are the basis of recoverability. In particular for CGUs, measured as value in use on a disposal basis, the estimated disposal proceeds.

The risk associated with capitalisation and recoverability of contract assets is heightened due to economic uncertainties, including inflation, which could significantly impact contract assumptions which drives the assessment of asset recoverability and onerous contract provision.

For the Parent Company, recoverability of investments in, and amounts due from, its subsidiaries remains a KAM owing to the materiality of these balances and the estimation of the underlying cash flow forecasts. We note that no direct investments are held within subsidiaries in the Portfolio division.

| Key Audit Matters ("KAMs")                                                                     | Vs FY21 | Item |
|------------------------------------------------------------------------------------------------|---------|------|
| Going Concern                                                                                  | ↔       | 4.1  |
| Revenue Recognition                                                                            | ↔       | 4.2  |
| Impairment of Goodwill                                                                         | ↑       | 4.3  |
| Capitalisation and Recoverability of contract assets                                           | ↑       | 4.4  |
| Recoverability of the Parent Company's investments in, and amounts due from, its subsidiaries. | ↔       | 4.5  |

We continue to perform procedures over litigation and claims provisions, defined benefit pension obligations and the presentation of items excluded from adjusted profits. However, the level of estimation uncertainty associated with litigation and claims is lower than last year. Whilst we consider defined benefit obligations to be a significant risk, the completion of the triennial valuation and additional contributions made in FY21 means we no longer consider it a KAM. There is a reduced level of judgement associated with the volume and value of items excluded from adjusted results, which are set out in note 2.4 and 2.10 in the accounts. We have therefore not assessed any of these as one of the most significant risks in our current year audit and, therefore, they are not separately identified in our report this year.

AUDIT  
COMMITTEE  
INTERACTION

During the year, the ARC met six times. KPMG are invited to attend all ARC meetings and are provided with an opportunity to meet with the ARC in private sessions without the Executive Directors being present. For each Key Audit Matter, we have set out communications with the ARC in section 6, including matters that required particular judgement for each. The matters included in the Audit and Risk Committee Chair's report on pages 93 to 95 are materially consistent with our observations of those meetings.

OUR  
INDEPENDENCE

We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities.

We have not performed any non-audit services during FY22 or subsequently which are prohibited by the FRC Ethical Standard.

We were first appointed as auditor by the shareholders for the year ended 31 December 2010. The period of total uninterrupted engagement is for the 13 financial years ended 31 December 2022.

The Group engagement partner is required to rotate every 5 years. As these are the first set of the Group's financial statements signed by Ian Griffiths, he will be required to rotate off after the FY26 audit.

The average tenure of partners responsible for component audits as set out in section 7 is 3 years, with the shortest being 1 and the longest being 6.

|                                                             |                |
|-------------------------------------------------------------|----------------|
| Total audit fee (including interim review)                  | £6.1m          |
| Audit related assurance services                            | £1.55m         |
| Non-audit fee as a % of total audit and audit related fee % | 20.3%          |
| Date first appointed                                        | 18 August 2010 |
| Uninterrupted audit tenure                                  | 13 years       |
| Next financial period which requires a rotation             | 2030           |
| Tenure of Group engagement partner                          | 1 year         |
| Average tenure of component signing partners                | 3 years        |

## KPMG LLP's Independent Auditor's Report



To the members of Capita plc

**MATERIALITY**(ITEM 6  
BELOW)

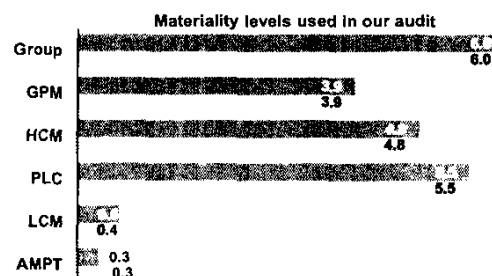
The scope of our work is influenced by our view of materiality and our assessed risk of material misstatement.

We have determined overall materiality for the Group financial statements as a whole at £6.0m (FY21: £6.0m) and for the Parent Company financial statements as a whole at £5.5m (FY21: £5.5m).

A key judgement in determining materiality was the most relevant metric to select as the benchmark, by considering which metrics have the greatest bearing on shareholder decisions.

Consistent with FY21, we determined that Group revenue of £3,014.6m, normalised by excluding revenue in relation to business exits of £168.8m, as disclosed in note 2.8, remains the benchmark for the Group, of which it represents 0.21% (FY21: 0.20%). This reflects the continuing volatility in profit before tax from continuing operations, with total revenues providing a more stable measure year on year. Total revenue is also a significant focus for management and external stakeholders.

Materiality for the Parent Company financial statements was determined by reference to total Company assets and represents 0.15% of the Company's total assets (FY21: 0.15%).



\* FY21: m FY22: m

|       |                                      |
|-------|--------------------------------------|
| Group | Group materiality                    |
| GPM   | Group performance materiality        |
| HCM   | Highest component materiality        |
| PLC   | Parent Company Statutory materiality |
| LCM   | Lowest component materiality         |
| AMPT  | Audit misstatement posting threshold |

**GROUP  
SCOPE**(ITEM 7  
BELOW)

We have performed risk assessment and planning procedures to determine which of the Group's components are likely to include risks of material misstatement to the Group financial statements, the type of procedures to be performed at these components and the extent of involvement required from our component auditors around the world.

Of the Group's components we subjected 15 (FY21: 22) to full scope audits and performed specific risk-focused audit procedures over litigation and claims provisions on 1 component (FY21: 1).

The components within the scope of our work accounted for the percentages illustrated opposite.

In addition, we have performed Group level analysis on the remaining components to determine whether further risks of material misstatement exist in those components.

We consider the scope of our audit, as communicated to the Audit and Risk Committee, to be an appropriate basis for our audit opinion.

**Coverage of Group financial statements**

|                          | 2022 | 2021 |
|--------------------------|------|------|
| Total Revenue            | 81%  | 86%  |
| Total profits and losses | 79%  | 86%  |
| Total assets             | 89%  | 90%  |

**THE IMPACT  
OF CLIMATE  
CHANGE ON  
OUR AUDIT**

We have considered the potential impacts of climate change on the financial statements as part of planning our audit. This included the business sectors the Group operates in, the assets and liabilities the Group holds on its balance sheet, and the ways in which the Group maintains and develops its client relations and supplier engagement and manages its people.

As part of our audit, we have made enquiries of management to understand the extent of the potential impact of climate change risk on the Group's financial statements. We have performed a risk assessment of how the impact of climate change may affect the financial statements and our audit. Taking into account the nature of the Group's operations, our assessment is that the climate related risks to the Group's business, strategy and financial planning did not have a significant impact on our key audit matters.

We have also read the Board's Task Force on Climate-related Financial Disclosure (TCFD) statement in the front half of the annual report and considered consistency with the financial statements and our audit knowledge.

**KPMG LLP's Independent Auditor's Report**

To the members of Capita plc

**3. GOING CONCERN, VIABILITY AND PRINCIPAL RISKS AND UNCERTAINTIES**

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or the Parent Company or to cease their operations, and as they have concluded that the Group's and the Parent Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could cast significant doubt over their ability to continue as a going concern from the date of approval of the financial statements to 31 August 2024 ("the going concern period").

**GOING CONCERN**

An explanation of how we evaluated management's assessment of going concern is set out in the related key audit matter in section 4.1 of this report.

**Our conclusions**

Our conclusions based on those procedures described in section 4.1 of this report are:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Group's or Parent Company's ability to continue as a going concern for the going concern period;
- we have nothing material to add or draw attention to in relation to the directors' statement in section 1 to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Group and Parent Company's use of that basis for the going concern period; and
- The related statement under the Listing Rules set out on page 64 is materially consistent with the financial statements and our audit knowledge.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Group or the Parent Company will continue in operation.

**Summary of our conclusions**

We found the directors' use of the going concern basis of accounting without any material uncertainty for the Group and Parent Company to be acceptable.

**DISCLOSURES OF EMERGING AND PRINCIPAL RISKS AND LONGER-TERM VIABILITY****Our responsibility**

We are required to perform procedures to identify whether there is a material inconsistency between the directors' disclosures in respect of emerging and principal risks and the viability statement, and the financial statements and our audit knowledge.

Based on those procedures, we have nothing material to add or draw attention to in relation to:

- the directors' confirmation within the Corporate Governance statement on page 97 that they have carried out a robust assessment of the emerging and principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity;
- the risk management and internal control disclosures describing these risks and how emerging risks are identified and explaining how they are being managed and mitigated; and
- the directors' explanation in the viability statement of how they have assessed the prospects of the Group, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We are also required to review the viability statement set out on page 64 under the Listing Rules.

Our work is limited to assessing these matters in the context of only the knowledge acquired during our financial statements audit. As we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of anything to report on these statements is not a guarantee as to the Group's and Parent Company's longer-term viability.

**Our reporting**

We have nothing material to add or draw attention to in relation to these disclosures.

We have concluded that these disclosures are materially consistent with the financial statements and our audit knowledge.

## KPMG LLP's Independent Auditor's Report



To the members of Capita plc

## 4. KEY AUDIT MATTERS

## WHAT WE MEAN

Key Audit Matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on:

- the overall audit strategy;
- the allocation of resources in the audit; and
- directing the efforts of the engagement team.

We include below the Key Audit Matters in decreasing order of audit significance together with our key audit procedures to address those matters and our findings from those procedures in order that the Company's members, as a body, may better understand the process by which we arrived at our audit opinion. These matters were addressed, and our findings are based on procedures undertaken, for the purpose of our audit of the financial statements as a whole. We do not provide a separate opinion on these matters.

## 4.1 GOING CONCERN (GROUP AND PARENT COMPANY)

| Financial Statement Elements                                                                            | Our assessment of risk vs FY21                                                                                                                                                                                                                                                              | Our findings                                                                                                                                                                                                                                                                                                                                                              |
|---------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Going concern disclosures with no material uncertainties – section 1 to the Group financial statements. | <p>↔</p> <p>In FY21, the risk was focussed on the adequacy of disclosures around the material uncertainty.</p> <p>In FY22, the risk has changed to now reflect the judgement taken in reaching the conclusion of no material uncertainty, and adequacy of the accompanying disclosures.</p> | <p>FY22: We found the Group's judgement that there was no material uncertainty to be disclosed, to be <b>balanced</b>.</p> <p>We found the going concern disclosure in section 1 without any material uncertainty to be <b>proportionate</b>.</p> <p>FY21: We found the going concern disclosure in section 1 with a material uncertainty to be <b>proportionate</b>.</p> |

| Description of the Key Audit Matter                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | Our response to the risk                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p><b>Disclosure quality</b></p> <p>The financial statements explain how the Board has formed a judgement that it is appropriate to adopt the going concern basis of preparation for the Group and Parent Company.</p> <p>That judgement is based on an evaluation of the inherent risks to the Group's and Parent Company's business model and how those risks might affect the Group's and Parent Company's financial resources or ability to continue operations over a period to 31 August 2024 from the date of approval of these financial statements (the 'going concern period').</p> <p>The risks most likely to adversely affect the Group's and Parent Company's available financial resources over this period include, but are not limited to, the following:</p> <ul style="list-style-type: none"> <li>• An inability to achieve the growth targets in the Group's business plan;</li> <li>• Increases in staff attrition, impacting upon ability to deliver services or secure new opportunities;</li> <li>• Adverse impact from inflationary pressures, such as interest rates; and</li> <li>• A significant unexpected downturn in performance in one of the Group's businesses.</li> </ul> <p>There are also less predictable but realistic second order impacts, such as business disruption in the event of a cyber incident, or adverse changes in UK Government policy.</p> <p>The risk for our audit was whether or not those risks were such that they amounted to a material uncertainty that may have cast significant doubt about the ability to continue as a going concern. Had they been such, then that fact would have been required to have been disclosed.</p> | <p>We considered whether these risks could plausibly affect the liquidity or covenant compliance in the going concern period by assessing the directors' sensitivities over the level of available financial resources and covenant thresholds indicated by the Group's financial forecasts taking account of severe, but plausible, adverse effects that could arise from these risks individually and collectively.</p> <p>Our procedures to address the risk included:</p> <p><b>Assessing transparency:</b> We assessed whether the matters included in the going concern disclosure give a full and accurate description of the directors' assessment, including the judgements made, identified risks and mitigating actions.</p> <p><b>Our sector experience:</b> We assessed the projections and assumptions by reference to our knowledge of the business and general market conditions including the potential risk of management bias. We critically assessed whether economic headwinds in particular inflation risks, have been sufficiently factored in the forecast cash flows, along with the risks and uncertainties associated with the Group's customers, suppliers and workforce.</p> <p>We considered the risk factors as set out by the Board in the Principal Risks section of the annual report and accounts, and where relevant assessed whether these were sufficiently taken into consideration in the projections prepared to support the base case and the downside risks applied.</p> <p><b>Test of detail:</b> We critically assessed the cash flow forecasts by considering the appropriateness of key assumptions used in preparing those projections, with a specific focus on the revenue growth and cost inflationary assumptions. We evaluated these via enquiries with each of the divisional Finance Directors, the Chief Executive Officer, and Chief Financial Officer, and inspected the Board's plans and associated papers.</p> <p><b>Historical comparisons:</b> We assessed the ability of the Group to accurately forecast by comparing historical results to forecasts for key metrics. We</p> |

## KPMG LLP's Independent Auditor's Report



To the members of Capita plc

assessed the most recent years' performance against budget, including sales growth and cost reductions and challenged the assumptions over the going concern period based on historical performances.

**Funding assessment:** We read the revolving credit facility (RCF) agreement to understand the terms including covenant requirements and any restrictions in the use of funds. We also read the Bridge facility agreement entered into in February 2023 which will provide additional liquidity from 1 January 2024. We re-performed the key financial covenants calculations for 30 June 2023 and 2024 and 31 December 2023, assessing compliance at these dates.

We considered the adjustments made in the adjusted EBITDA for the covenant calculations, considering the appropriateness compared to the loan agreements and historical accepted practice with the current lenders. In addition, we inspected the correspondence between the Company and the private placement lenders that set out the proposed items to be excluded in the adjusted EBITDA definition and compared these against the items included in the covenant calculations.

We evaluated the refinancing risk, including renewal of the RCF and additional sources of debt finance. This included consideration of the previous RCF extensions secured, the additional bridging facility signed in February 2023 and potential factors which remain outside of the Group's controls, including debt market conditions at the time of the fund raising.

**Sensitivity analysis:** We critically challenged the downside sensitivities to ensure that these represented severe but plausible scenarios based on our knowledge of the business, the associated risk exposure and we considered the most recent trading results to form a holistic view of the Group. We assessed those risks and challenged whether the risks applied reflected progress to date in delivering organic growth and the ongoing effects from inflation based on the impacts experienced by the Group during the year. We assessed identified risk assumptions to ensure that they reflected a more likely than not chance of occurring under the downside scenarios. We also challenged the mitigating actions, to identify whether these were reasonable and within the direct control of the Group.

**Evaluating directors' Intent:** we evaluated the achievability of the actions the directors consider they would take to improve the position should the risks materialise, which included reductions in discretionary spend and capex investment, taking into account the extent to which the directors can control the timing and outcome of these. This included consideration of the nature and quantum of historical cost savings delivered and the feasibility of implementing these over the going concern period.

**Communications with Capita plc's Audit and Risk Committee**

Our discussions with and reporting to the Audit and Risk Committee included:

- Going concern period of assessment
- Assessment of the level of refinancing risk faced by the Group
- Assessment of the risk and potential mitigations in the downside case, including directors' intent should risks materialise
- Assessment of historical forecasting accuracy and current performance

**Areas of particular auditor judgement**

We identified the following as the areas of particular auditor judgement:

- The ability of the Group to secure a further extension or refinancing of the RCF ahead of its expiry in August 2024
- The level of severity in the downside assumptions and if proposed mitigations are executable and within control of the Company

**Our findings**

We found the Group's judgement that there was no material uncertainty to be disclosed, to be balanced.

We found the going concern disclosure in section 1 without any material uncertainty to be proportionate (FY21: we found the going concern disclosure in section 1 with a material uncertainty to be proportionate).

## KPMG LLP's Independent Auditor's Report



To the members of Capita plc

## 4.2 REVENUE RECOGNITION

| Financial Statement Elements  |           |           | Our assessment of risk vs FY21 | Our findings                                |
|-------------------------------|-----------|-----------|--------------------------------|---------------------------------------------|
| FY22                          | FY21      |           |                                |                                             |
| Long-term contractual revenue | £2,236.2m | £2,325.2m | ↔                              | <b>FY22: Balanced</b><br><br>FY21: Balanced |
| Deferred Income               | £640.7m   | £794.7m   |                                |                                             |

| Description of the Key Audit Matter                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | Our response to the risk                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
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| <p><b>Subjective Judgement</b></p> <p>The Group has many complex and bespoke contract arrangements which can span many years and involve the provision of more than one performance obligation. These long-term contracts are held within the Public Service and Experience Divisions of the Group.</p> <p>Significant contract variations or modifications may give rise to judgement as to the impact for revenue recognition. These can arise throughout the year.</p> <p>In the event of a full or partial termination, judgement arises in determining the effective date to trigger re-profiling of deferred income held, particularly where services are being handed back or across to another provider.</p> <p>Professional standards require us to make a rebuttable presumption that the fraud risk associated with revenue recognition is a significant risk. The incentive/pressures on management to achieve bonus targets and/or market consensus increase the risk of fraudulent revenue recognition. The opportunity is considered to apply to these long-term contracts, given the factors noted above.</p> <p><b>Disclosure quality</b></p> <p>There is a risk that the disclosures presented are not sufficient to explain the revenue recognition accounting policies and the key judgements applied.</p> | <p>We performed the tests below rather than seeking to rely on any of the Group's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described.</p> <p><b>Our procedures to address the risk included:</b></p> <p><b>Tests of detail:</b> We obtained and inspected a sample of the contractual agreements to understand the contract terms and conditions that underpin the revenue and the <i>profit recognition assumptions and to identify conditions</i> under which variable revenue can arise. For the major contracts selected through our scoping exercise, where relevant, we also assessed the accounting papers prepared by the Group that set out the key judgements to apply.</p> <p>Where contract negotiations are ongoing in relation to variable consideration, we made enquiries on the current status with those involved in the discussions and by reference to the associated signed contract or any variation amendments. Where significant variable consideration had been recognised, we obtained and <i>inspected the contractual agreements to understand the</i> contract terms and conditions that underpin the revenue recognition assumptions. Where relevant we inspected correspondence with customers or other supporting documentation in relation to the variations or scope change.</p> <p>In situations where there has been a significant modification, termination, or partial termination, we assessed the contract terms including any correspondence from the customer, to challenge the <i>effective date of the modification or termination</i>. We also challenged the judgements applied as to whether, in the case of a partial termination, any deferred income should be recognised immediately or spread forward by assessing the inter dependencies of the performance obligations, and the initial contractual terms.</p> <p>We challenged whether the key contract judgements made by the Board are appropriate based upon the underlying contractual terms and evidence obtained.</p> <p><b>Assessing transparency:</b> We considered the disclosures in the financial statements to check that these were sufficient and provided proportionate detail of the revenue and profit recognition policies and of the key judgements applied. This included an assessment of whether notes 2.1 and 2.2 set out the impacts arising from the accounting policies applied in relation to the long-term contracts provided by the Group.</p> |

## Communications with Capita plc's Audit and Risk Committee

Our discussions with and reporting to the Audit and Risk Committee included:

- Assessment of judgements linked to contract modifications and estimates in the year
- Adequacy of accompanying disclosures in respect to revenue recognition in notes 2.1 and 2.2 to the financial statements

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**Areas of particular auditor judgement**

We identified the following as the areas of particular auditor judgement:

- Timing of accounting for contract modifications and basis for revenue recognition applied across the long-term contract portfolio

**Our findings**

In determining the treatment of revenue recognition, the Group has applied accounting policies based on the requirements of IFRS15. In applying these policies there is room for judgement and we found that within that the Group's judgement was balanced (FY21: balanced). We found the disclosures associated with the IFRS15 policies to be proportionate (FY21: ample).

**4.3 IMPAIRMENT OF GOODWILL**

| Financial Statement Elements                    |         |         | Our assessment of risk vs FY21                                                                                                    | Our findings                              |
|-------------------------------------------------|---------|---------|-----------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------|
|                                                 | FY22    | FY21    |                                                                                                                                   |                                           |
| Goodwill<br>(Total as per financial statements) | £605.9m | £951.7m | ↑ Risk is increased against FY21 with impairments recognised at both 30 June 2022 and 31 December 2022 within the Portfolio CGUs. | <b>FY22: Balanced</b><br>FY21: Optimistic |

| Description of the Key Audit Matter                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | Our response to the risk                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
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| <p><b>Forecast-based valuation</b></p> <p>We consider the carrying value of goodwill and goodwill impairment to be a significant audit risk. This reflects the inherent uncertainty involved in forecasting and discounting future cash flows, which are the basis of the assessment of recoverability, and also the estimate of expected proceeds in relation to businesses anticipated for disposal.</p> <p>The focus of our procedures was the Experience CGU (goodwill carrying value of £209.8m) and also those within the Portfolio Divisions (total goodwill carrying value £111.5m). These CGUs were most sensitive to changes in the underlying assumptions or were proposed for impairment.</p> <p>Uncertainty in relation to the current macro-economic environment may further impact the Group's activities and performance and renders precise forecasting of the underlying cashflows challenging.</p> <p>The Board has the incentive to maximise the disposal proceeds from businesses within the Portfolio Division. As a result, there could be bias from management towards achieving a particular valuation, either due to the potential to influence negotiations, or to maximise future gain on sale. This increases the risk in relation to forecast assumptions for these specific CGUs.</p> <p><b>Disclosure quality</b></p> <p>The financial statements (note 3.4) disclose the key assumptions underlying the goodwill impairment calculation and the sensitivity of the calculation to changes in these assumptions.</p> <p>There is a risk that the disclosures presented are not sufficient to explain the key assumptions that drive the valuations, and the key sensitivities that the Board has considered. This is particularly important given the current uncertainty surrounding the macro-economic environment.</p> | <p>We performed the tests below rather than seeking to rely on any of the Group's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described.</p> <p><b>Our procedures to address the risk included:</b></p> <p><b>Determination of recoverable amount:</b> We have assessed the judgements taken in respect to the Portfolio CGUs, including whether value in use should be measured on a perpetual basis or based on the future cash flows of the CGUs from continuing use up to estimated date of disposal, plus an estimate of the sale proceeds less cost of disposal.</p> <p><b>Tests of detail:</b> We tested the principles and integrity of the Group's discounted cash flow model. We compared the cash flows used in the impairment model to the output of the Group's budgeting process and against the understanding we obtained about the business areas through our audit and assessed if these cash flows were reasonable. For the Portfolio CGUs which were measured using estimated sale proceeds less costs of disposal, we reviewed the status of the ongoing disposal programmes and evaluated the reasonableness of expected disposal proceeds to correspondence with interested parties, through multiples analysis and through consideration of prior sales achieved.</p> <p><b>Historical comparison:</b> We assessed the historical accuracy of the forecasts used in the Group's impairment model by considering actual performance against prior year budgets, recognising the impacts of the current macro-economic environment. We also assessed the forecast revenue growth with reference to the most recent results for 2021 and 2022.</p> <p><b>Benchmarking assumptions:</b> We used external data and our own internal valuation models to evaluate the key inputs and assumptions for growth and discount rates.</p> <p><b>Sensitivity analysis:</b> We performed sensitivity and break-even analyses for the key inputs and assumptions and identified those cash-generating units we considered most sensitive to impairment.</p> <p><b>Comparing valuations:</b> as an overall stand-back test we compared the sum of the discounted cash flows to the Group's market capitalisation and assessed the rationale for the differences. We also compared the implied share price derived from the recoverable amount at the year end to the Company's share price throughout 2022 and assessed the reasonableness of the factors identified by the Board to explain the differences.</p> |

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|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | <p><b>Assessing transparency:</b> We evaluated the adequacy of the disclosures related to the estimation uncertainty, judgements made and assumptions over the recoverability of goodwill, assessing the level of detail included in the disclosures and performing an assessment as to whether disclosure omissions identified were material.</p> |
| <p><b>Communications with Capita plc's Audit and Risk Committee</b></p> <p>Our discussions with and reporting to the Audit and Risk Committee included:</p> <ul style="list-style-type: none"> <li>The Board's judgement on the change in methodology for determination of recoverable amount for certain CGUs within the Portfolio Division</li> <li>Refinement of the significant risk to focus on specific CGUs within the Portfolio Division and the Experience CGU</li> <li>Adequacy of the disclosures of goodwill impairment in section 3.4 to the financial statements</li> </ul> <p><b>Areas of particular auditor judgement</b></p> <p>We identified the following as the areas of particular auditor judgement:</p> <ul style="list-style-type: none"> <li>For two of the CGUs where recoverable amount was determined through value in use on a perpetual basis, the cash flow forecasts were deemed to be a significant assumption for the estimate</li> <li>The assumptions taken in respect to forecast net disposal proceeds for two of the Portfolio CGUs</li> <li>Adequacy of sensitivity disclosures and the assessment as to what would constitute a reasonably possible downside scenario for each CGU</li> </ul> <p><b>Our findings</b></p> <p>We consider the carrying value of Goodwill, following the impairment charges recognised, to be balanced (FY21 finding: optimistic).</p> <p>We found the Group's disclosures in the description of the assumptions and estimates to be proportionate (FY21 finding: proportionate) and disclosures of the sensitivity of the valuation of goodwill to changes in those assumptions and estimates to be light (FY21 finding: proportionate).</p> |                                                                                                                                                                                                                                                                                                                                                    |

## 4.4 CAPITALISATION AND RECOVERABILITY OF CONTRACT ASSETS

| Financial Statement Elements                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |         |         | Our assessment of risk vs FY21                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |                                                                                                                                                                                                                                              | Our findings   |  |
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|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | FY22    | FY21    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |                                                                                                                                                                                                                                              |                |  |
| Non-Current Contract Fulfilment Assets "CFA"                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | £263.0m | £286.7m | ↑                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | Risk is heightened due to economic uncertainties including inflation, which could significantly impact assumptions concerning future performance metrics which drives the assessment of asset recoverability and onerous contract provision. | FY22: Balanced |  |
| Onerous Contract Provisions                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | £52.8m  | £45.8m  |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |                                                                                                                                                                                                                                              | FY21: Balanced |  |
| Description of the Key Audit Matter                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |         |         | Our response to the risk                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |                                                                                                                                                                                                                                              |                |  |
| <p><b>Accounting application</b><br/>A contract fulfilment asset (CFA) is recorded for costs incurred on a contract or an anticipated contract that generate or enhance the resources of an entity that will be used in satisfying future obligations under the contract.</p> <p><b>Subjective estimate</b><br/>Note 2.1 sets out the outsourcing model operated by the Group and explains how typically the early stages of a contract ('pre-inflection') will reflect a period when the contract fulfilment assets are created as the contract delivery is established. Judgement may be required in determining whether the costs incurred are appropriate to be capitalised, and this leads to a risk that costs may be incorrectly capitalised as a result of error or fraud.</p> <p>Where a contract is not performing as expected, the costs capitalised may not be recoverable and an impairment of the asset should be recorded.</p> <p>Where no CFA has been recorded or the CFA has already been fully impaired, there is also a risk that the contract may be onerous, and an onerous contract provision (OCP) should be recorded.</p> <p>A risk of fraud arises as there may be an incentive to capitalise or expense items to achieve bonus targets or market consensus.</p> |         |         | <p>We performed the tests below rather than seeking to rely on any of the Group's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described.</p> <p><b>Our procedures to address the risk included:</b></p> <p><b>Tests of detail:</b> We tested on a sample basis the costs capitalised as CFAs by reference to the criteria set out in the Group's accounting policy. For the costs sampled we obtained third party support, or for internally generated time we obtained the relevant costing rates and records, to support the basis of capitalisation.</p> <p>We assessed on a sample basis the useful economic lives applied to the CFAs and evaluated the expected contract life by reference to the contract terms or where appropriate any agreed extensions to the original contract.</p> <p><b>Sensitivity analysis:</b> We considered the assumptions within the business plans and lifetime assessments, checking that onerous conditions had been recognised appropriately, particularly on contracts that have had a poor performance in the current year and those contracts that are in a pre-inflection phase of transformation. We assessed any ongoing</p> |                                                                                                                                                                                                                                              |                |  |

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The effect of these matters is that, as part of our risk assessment, we determined that the recoverable amount of contract assets and completeness and accuracy of the onerous contract provision have a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole.

**Disclosure quality**

There is a risk that the disclosures presented are not adequate to explain the capitalisation criteria that are used to assess whether items of expense should be recorded as a contract asset, or the key judgements applied in assessment of contract lifetimes and any onerous contract provisions required.

impact of inflation on the key assumptions, together with any contract modifications agreed with the customer in response to the economic environment, or more widely as part of commercial discussions.

In determining whether OCPs should be recorded, we assessed contract profitability forecasts by analysing historic performance relative to contractual commitments over its full term. This included assessing critically the assumptions over future costs including projected savings and the actions required to achieve these by comparison to historical cost savings achieved on similar projects. Our assessment considered the levels of uncertainty contained in the forecasts, the extent to which Company actions alone could mitigate risks and any dependencies on the customer or other third parties. This assessment covered a sample of contracts including those identified by the Board as being high risk and comprising the major contracts in a pre-inflection phase.

**Assessing transparency:** We considered the disclosures in the financial statements to assess whether these provided sufficient detail of the criteria used to evaluate whether expense items should be recorded as a CFA, and on judgements taken in respect to recognition and measurement of OCPs.

**Communications with Capita plc's Audit and Risk Committee**

Our discussions with and reporting to the Audit and Risk Committee included:

- Assessment of judgements linked to contracts, potentially at risk of becoming onerous, or where an onerous contract provision is already held. This included consideration of recoverability of any CFA held
- Adequacy of accompanying disclosures in respect to contract assets in notes 2.1 and 3.1.3 to the financial statements

**Areas of particular auditor judgement**

We identified the following as the areas of particular auditor judgement:

- Assessment of the level of execution risk on cost saving initiatives for one of the Major Contracts
- Assessment of the need for onerous contract provision and/or CFA impairment for Major Contracts sensitive to forecast assumptions made in respect to remaining contract term

**Our findings**

We found the assumptions and estimates used to assess the CFAs to be recognised, and to determine the need for any onerous contract provisions, to be balanced (FY21: balanced).

We found that the Group's disclosures in note 2.1 and 3.1.3 to be proportionate (FY21: proportionate).

**4.5 RECOVERABILITY OF THE PARENT COMPANY'S INVESTMENT IN, AND AMOUNTS DUE FROM, ITS SUBSIDIARIES**

| Financial Statement Elements  |           |           | Our assessment of risk vs FY21                                                                                                       | Our findings                     |
|-------------------------------|-----------|-----------|--------------------------------------------------------------------------------------------------------------------------------------|----------------------------------|
|                               | FY22      | FY21      |                                                                                                                                      |                                  |
| Investment carrying value     | £994.3m   | £947.3m   | ↔ Risk is considered stable against FY21. We note that no direct investments are held within subsidiaries in the Portfolio division. | FY22: Balanced<br>FY21: Balanced |
| Amounts due from subsidiaries | £2,559.2m | £2,619.8m |                                                                                                                                      |                                  |

| Description of the Key Audit Matter                                                                                                                                                                                                                                                                                                                                                                                                                              | Our response to the risk                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>The carrying amount of the Parent Company's investment in, and amounts due from, its subsidiaries represent 27.3% and 70.4% (FY21: 25.4% and 70.3%) of its total assets respectively.</p> <p>As with goodwill, there is a significant level of inherent uncertainty involved in forecasting and discounting future cash flows, which are the basis of the assessment of recoverability for investments in subsidiaries and amounts due from subsidiaries.</p> | <p>We performed the tests below rather than seeking to rely on the Parent's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described.</p> <p><b>Our procedures to address the risk included:</b><br/> <b>Tests of detail:</b> We compared the carrying amount of the investment, and the amounts due from subsidiaries, with the relevant subsidiary's draft statutory balance sheet to identify whether its net assets, being an</p> |

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Due to its materiality in the context of the Parent Company financial statements, this is considered to be the area that had the greatest effect overall on our Parent Company audit.

approximation of its minimum recoverable amount, was in excess of its carrying amount and assessed whether the subsidiary has historically been profit-making.

Where impairment indicators were identified, we compared the cash flows used in the impairment model to the output of the Group's budgeting process and against the understanding we obtained about the business areas through our audit and assessed if these cash flows were reasonable.

**Evaluating directors' intent:** We assessed the directors' intention in respect of the recovery of intercompany debt and based the recoverable amount on their intention of expected cashflows.

**Sensitivity analysis:** We performed sensitivity analyses for the key inputs and assumptions and identified those individual investments and amounts due from subsidiaries we considered most sensitive to impairment.

**Assessing transparency:** We evaluated the adequacy of the disclosures related to the estimation uncertainty, judgements made and assumptions over the recoverability of the Parent Company's investment in, and amounts due from, its subsidiaries, checking that the sensitivity disclosures provided enough detail and proportionate information to inform a reader of the accounts.

#### Communications with Capita plc's Audit and Risk Committee

Our discussions with and reporting to the Audit and Risk Committee included:

- Appropriateness of methodology applied in measurement of recoverable amount for investment in subsidiaries
- Assumptions taken in respect to cash flow forecasts
- Assessment of the judgement taken in respect to Expected Credit Loss on intercompany receivables

#### Areas of particular auditor judgement

We identified the following as the areas of particular auditor judgement:

- For investments where recoverable amount was determined through value in use on a perpetual basis, the cash flow forecasts were deemed to be a significant assumption for the estimate

#### Our findings

We found the Parent Company's assessment of the recoverability of the investment in, and amounts due from, subsidiaries to be balanced (FY21: balanced). We found the Company's disclosures of the recoverability of investment held by the Parent Company in, and amounts due from, subsidiaries to be proportionate (FY21: proportionate).

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## 5. OUR ABILITY TO DETECT IRREGULARITIES, AND OUR RESPONSE

| FRAUD - IDENTIFYING AND RESPONDING TO RISKS OF MATERIAL MISSTATEMENT DUE TO FRAUD                                                    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
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| <b>FRAUD RISK ASSESSMENT</b>                                                                                                         | <p>To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud.</p> <p>Our risk assessment procedures included:</p> <ul style="list-style-type: none"> <li>Enquiring of Directors, the ARC, internal audit and inspection of the Group's documented high-level policies and procedures to prevent and detect fraud, including the Group's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud;</li> <li>Reading Board and ARC meeting minutes;</li> <li>Considering remuneration incentive schemes and performance targets for management and Directors including the short and long-term incentive plans for management remuneration;</li> <li>Using analytical procedures to identify any unusual or unexpected relationships; and</li> <li>Using our own forensic specialists to assist us in identifying fraud risks. This included attending the Risk Assessment and Planning Discussion, with the engagement partner and engagement key team members, and assisting with designing relevant audit procedures to respond to the identified fraud risks.</li> </ul> |
| <b>RISK COMMUNICATIONS</b>                                                                                                           | <p>We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit. This included communication from the Group audit team to full scope and specified procedure component audit teams of relevant fraud risks identified at the Group level and requested to full scope component audit teams to report to the Group audit team any instances of fraud that could give rise to a material misstatement at Group level.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| <b>FRAUD RISKS</b>                                                                                                                   | <p>As required by auditing standards, taking into account possible pressures to meet profit targets and market consensus and continued ongoing economic uncertainty, and using our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition, in particular:</p> <ul style="list-style-type: none"> <li>The risk that Group and component management may be in a position to make inappropriate accounting entries for long-term contracts; and</li> <li>The risk of bias in accounting estimates and judgements such as contract modifications and terminations.</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| <b>LINK TO KAMS</b>                                                                                                                  | <p>We also identified fraud risks related to inappropriate impairment of goodwill, inappropriate capitalisation, and recoverability of contract fulfilment assets. Further details in respect of inappropriate impairment of goodwill, inappropriate capitalisation and recoverability of contract fulfilment assets are set out in section 4 of this report.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| <b>PROCEDURES TO ADDRESS FRAUD RISKS</b>                                                                                             | <p>We performed procedures including:</p> <ul style="list-style-type: none"> <li>Identifying journal entries and other adjustments to test for all full scope components, based on risk criteria specific to the component, and comparing the identified entries to supporting documentation. These included where relevant, those posted by senior finance personnel and those posted to unusual accounts, including unexpected account combinations of entries to revenue, expenses, cash and borrowings.</li> <li>Assessing whether the judgement made in accounting estimates are indicative of a potential bias, including those over revenue recognition, capitalisation and recoverability of contract assets and impairment of goodwill.</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| LAWS AND REGULATIONS - IDENTIFYING AND RESPONDING TO RISKS OF MATERIAL MISSTATEMENT RELATING TO COMPLIANCE WITH LAWS AND REGULATIONS |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| <b>LAWS AND REGULATIONS RISK ASSESSMENT</b>                                                                                          | <p>We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, through discussion with the Directors and other management (as required by auditing standards), and from inspection of the Group's regulatory and legal correspondence; and discussed with the Directors and other management the policies and procedures regarding compliance with laws and regulations.</p> <p>As some of the Group's subsidiaries are regulated, our assessment of risks involved gaining an understanding of the control environment including these entities' procedures for complying with regulatory requirements.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| <b>RISK COMMUNICATIONS</b>                                                                                                           | <p>We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit. This included communication from the Group audit team to full-scope component audit teams of relevant laws and regulations identified at the Group level, and a request for full-scope component auditors to report to the Group audit team any instances of non-compliance with laws and regulations that could give rise to a material misstatement at Group level.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| <b>DIRECT LAWS CONTEXT AND LINK TO AUDIT</b>                                                                                         | <p>The potential effect of these laws and regulations on the financial statements varies considerably. The Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related company legislation), distributable profits legislation, and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |

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| <b>MOST SIGNIFICANT<br/>INDIRECT LAW/<br/>REGULATION AREAS</b>                                              | <p>The Group is subject to many laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the loss of some of the Group's subsidiaries' license to operate. We identified the following areas as those most likely to have such an effect: health and safety, anti-bribery, data protection, employment law, regulatory capital and liquidity (in relation to the financial and regulated nature of certain of the Group's activities in the Life &amp; Pensions and Employee Benefits sectors). Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Directors and other management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.</p> |
| <b>CONTEXT</b>                                                                                              |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| <b>CONTEXT OF THE<br/>ABILITY OF THE AUDIT<br/>TO DETECT FRAUD OR<br/>BREACHES OF LAW OR<br/>REGULATION</b> | <p>Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it. In addition, as with any audit, there remained a higher risk of non-detection of fraud, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.</p>                                                                             |

## KPMG LLP's Independent Auditor's Report



To the members of Capita plc

## 6. OUR DETERMINATION OF MATERIALITY

The scope of our audit was influenced by our application of materiality. We set quantitative thresholds and overlay qualitative considerations to help us determine the scope of our audit and the nature, timing and extent of our procedures, and in evaluating the effect of misstatements, both individually and in the aggregate, on the financial statements as a whole.

|                                                                                                             |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
|-------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p><b>£6M</b><br/><b>FY21: £6M</b><br/><b>MATERIALITY FOR THE GROUP FINANCIAL STATEMENTS AS A WHOLE</b></p> | <p><b>What we mean</b></p> <p>A quantitative reference for the purpose of planning and performing our audit.</p> <p><b>Basis for determining materiality and judgements applied</b></p> <p>Materiality for the Group financial statements as a whole was set at £6m (FY21: £6m). Consistent with FY21, this was determined with reference to a benchmark of Group revenue of £3,014.6m, normalised by excluding revenue in relation to business exits of £168.8m, as disclosed in note 2.8. Use of total revenue as the benchmark reflects the continuing volatility in profit before tax from continuing operations, with total revenues providing a more stable measure year on year. Total revenue is also a significant focus for management and external stakeholders.</p> <p>Our Group materiality of £6m was determined by applying a percentage to the normalised Group revenue. When using this benchmark, KPMG's approach for listed entities considers a guideline range 0.5% - 1% of the measure. In setting overall Group materiality, we applied a percentage of 0.21% (FY21: 0.20%) to the benchmark which is below the lower end of the expected range. This acknowledges the low historic margin of the Group.</p> <p>Materiality for the Parent Company financial statements was set at £5.5m (FY21: £5.5m), determined by reference to total Company assets and represents 0.15% of the Company's total assets (FY21: 0.15%).</p> |
| <p><b>£3.9M</b><br/><b>(FY21: £3.9M)</b><br/><b>PERFORMANCE MATERIALITY</b></p>                             | <p><b>What we mean</b></p> <p>Our procedures on individual account balances and disclosures were performed to a lower threshold of performance materiality, as this is to reduce to an acceptable level the risk that undetected misstatements, individually or in aggregate, are material to the financial statements as a whole.</p> <p><b>Basis for determining performance materiality and judgements applied</b></p> <p>Performance materiality for the Group and the Parent Company was set at 65% (FY21: 65%) of materiality for the financial statements as a whole, which equates to £3.9m (FY21: £3.9m) for the Group and £3.6m (FY21: £3.6m) for the Parent Company. We applied this percentage in our determination of performance materiality based on the number and level of identified misstatements and control deficiencies during the prior period.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| <p><b>£0.3M</b><br/><b>(FY21: £0.3M)</b><br/><b>AUDIT MISSTATEMENT POSTING THRESHOLD</b></p>                | <p><b>What we mean</b></p> <p>This is the amount by which identified misstatements are not reported and are instead from a practical point of view, if any, being aware of misstatements above this threshold which could alter the nature, timing and extent of audit procedures for example, if identified misstatements which are not individually found.</p> <p>This is a value that is not used in the determination of the audit opinion, but is used to determine the reporting threshold.</p> <p><b>Basis for determining the audit misstatement posting threshold and judgements applied</b></p> <p>We set our audit misstatement posting threshold at 5% (FY21: 5%) of our materiality for the Group financial statements. We also report to the ARC other identified misstatements that warrant reporting on qualitative grounds.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |

The overall materiality for the Group financial statements of £6m (FY21: £6m) compares as follows to the main financial statement caption amounts:

|                                   | Group Revenue |           | Group profit before tax |         | Total Group Assets |           |
|-----------------------------------|---------------|-----------|-------------------------|---------|--------------------|-----------|
|                                   | FY22          | FY21      | FY22                    | FY21    | FY22               | FY21      |
| Financial statement Caption       | £3,014.6m     | £3,182.5m | £61.4m                  | £285.6m | £2,552.6m          | £3,142.4m |
| Group Materiality as % of caption | 0.20%         | 0.19%     | 9.77%                   | 2.10%   | 0.24%              | 0.19%     |

## KPMG LLP's Independent Auditor's Report



To the members of Capita plc

## 7. THE SCOPE OF OUR AUDIT

## What we mean

How the Group audit team determined the procedures to be performed across the Group

The Group has 209 (FY21: 232) reporting components. To determine the work performed at the reporting component level, we identified those components which we considered to be of individual financial significance and those remaining components on which we required procedures to be performed to provide us with the evidence we required in order to conclude on the Group financial statements as a whole.

We determined individually financially significant components as those contributing at least 7.5% (FY21: not considered) of total assets or 7.5% (FY21: 10%) of total revenue or 7.5% (FY21: 10%) of the Group profit before tax. We selected total assets, total revenue, and profit before tax because these are the most representative of the relative size of the components. We identified 4 (FY21: 3) components as individually financially significant components and performed full scope audits on these components.

In addition to the individually financially significant components, we identified 3 (FY21: 8) components as significant, owing to significant risks of material misstatement affecting the Group financial statements and performed full scope audits on these components.

In addition, to enable us to obtain sufficient appropriate audit evidence for the group financial statements as a whole, we selected 9 (FY21: 12) components on which to perform procedures. Of these components, we performed full scope audits for 8 components (FY21: 11) and performed specific risk-focused audit procedures over litigation and claims provisions on 1 component (FY21: 1).

The components within the scope of our work accounted for the following percentages of the Group's results, with the prior year comparatives indicated in brackets:

| Scope                      | Number of components | Range of materiality applied     | Group Revenue    | Total profits and losses that made up Group PBT | Total Assets     |
|----------------------------|----------------------|----------------------------------|------------------|-------------------------------------------------|------------------|
| Full scope audit           | 15 (22)              | £4.8m - £0.4m<br>(£4.8m - £0.6m) | 81% (86%)        | 79% (86%)                                       | 89% (90%)        |
| Specified audit procedures | 1 (1)                | £2m<br>(£2m)                     | N/A              | N/A                                             | N/A              |
| <b>TOTAL</b>               | <b>16 (23)</b>       |                                  | <b>81% (86%)</b> | <b>79% (86%)</b>                                | <b>89% (90%)</b> |

The remaining 19% (FY21: 14%) of total Group revenue, 21% (FY21: 14%) of total profits and losses that made up Group profit before tax and 11% (FY21: 10%) of total Group assets is represented by 193 (FY21: 209) reporting components. For these components, we performed analysis at an aggregated group level to re-examine our assessment that there were no significant risks of material misstatement within these.

Full scope audits were performed by component auditors at 13 reporting components in the United Kingdom, Switzerland, and Germany, and by the Group audit team over 2 key components in the United Kingdom, including the Parent Company (FY21: 20 in the United Kingdom, Switzerland, and Germany, and by the Group audit team over 2 key components in the United Kingdom, including the Parent Company). Specified audit procedures were performed by component auditors at a reporting component in Guernsey (FY21: 1 in Guernsey).

The Group audit team has performed testing of IT Systems and certain controls in the shared service centre on behalf of the components and communicated the results of these procedures to the component teams. This is because of the centralised systems and processes in place across the Group.

The Group team instructed component auditors as to the significant areas to be covered, including the relevant risks detailed above and the information to be reported back. The Group team approved the component materialities, as detailed in the table above, having regard to the mix of size and risk profile of the Group across the components.

The scope of the audit work performed was predominantly substantive as we placed limited reliance upon the Group's internal control over financial reporting.

## GROUP SCOPE

## KPMG LLP's Independent Auditor's Report



To the members of Capita plc

|                                           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
|-------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>GROUP AUDIT<br/>TEAM<br/>OVERSIGHT</b> | <b>What we mean</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
|                                           | The extent of the Group audit team's involvement in component audits                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
|                                           | <p>In working with component auditors, we:</p> <ul style="list-style-type: none"> <li>• Held planning calls with component audit teams to discuss the significant areas of the audit relevant to the components, including the key audit matters of revenue recognition and capitalisation and recoverability of contract assets</li> <li>• Issued Group audit instructions to component auditors on the scope of their work, including specifying the minimum procedures to perform in their audit of Journals and long term contracts</li> <li>• Visited the UK component audit teams in-person as the audit progressed to understand and challenge the audit approach and organised frequent video conferences with the partners and directors of the Group and component audit teams, including those based overseas. At these meetings the findings reported to the Group team were discussed in more detail, and any further work required by the Group team was then performed by the component audit teams</li> <li>• Inspected the component audit teams' key work papers (in person and/or using remote technology) to evaluate the quality of execution of the audits of the components with a particular focus on work performed by the components on Group-level significant risks and key audit matters</li> </ul> |

## 8. OTHER INFORMATION IN THE ANNUAL REPORT

The directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

| ALL OTHER INFORMATION                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |                                                                                                                                                                           |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Our responsibility</b><br>Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge.                                                                                                                                                                                                                                                      | <b>Our reporting</b><br>Based solely on that work we have not identified material misstatements or inconsistencies in the other information.                              |
| STRATEGIC REPORT AND DIRECTORS' REPORT                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |                                                                                                                                                                           |
| <b>Our responsibility and reporting</b><br>Based solely on our work on the other information described above we report to you as follows: <ul style="list-style-type: none"> <li>▪ we have not identified material misstatements in the strategic report and the directors' report;</li> <li>▪ in our opinion the information given in those reports for the financial year is consistent with the financial statements; and</li> <li>▪ in our opinion those reports have been prepared in accordance with the Companies Act 2006.</li> </ul> |                                                                                                                                                                           |
| DIRECTORS' REMUNERATION REPORT                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                                                                                                                                                                           |
| <b>Our responsibility</b><br>We are required to form an opinion as to whether the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.                                                                                                                                                                                                                                                                                                                              | <b>Our reporting</b><br>In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006. |

**KPMG LLP's Independent Auditor's Report**

To the members of Capita plc

**CORPORATE GOVERNANCE DISCLOSURES****Our responsibility**

We are required to perform procedures to identify whether there is a material inconsistency between the financial statements and our audit knowledge, and:

- the directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy;
- the section of the annual report describing the work of the Audit and Risk Committee, including the significant issues that the Audit and Risk Committee considered in relation to the financial statements, and how these issues were addressed; and
- the section of the annual report that describes the review of the effectiveness of the Group's risk management and internal control systems.

**Our reporting**

Based on those procedures, we have concluded that each of these disclosures is materially consistent with the financial statements and our audit knowledge.

We are also required to review the part of the Corporate Governance Statement relating to the Group's compliance with the provisions of the UK Corporate Governance Code specified by the Listing Rules for our review.

We have nothing to report in this respect.

**OTHER MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION****Our responsibility**

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

**Our reporting**

We have nothing to report in these respects.

**9. RESPECTIVE RESPONSIBILITIES****Directors' responsibilities**

As explained more fully in their statement set out on pages 83 and 84, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; 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; assessing the Group and Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

**Auditor's responsibilities**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

The Company is required to include these financial statements in an annual financial report prepared using the single electronic reporting format specified in the TD ESEF Regulation. This auditor's report provides no assurance over whether the annual financial report has been prepared in accordance with that format.

**KPMG LLP's Independent Auditor's Report**

To the members of Capita plc

**10. THE PURPOSE OF OUR AUDIT WORK AND TO WHOM WE OWE OUR RESPONSIBILITIES**

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and the terms of our engagement by the company. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report, and the further matters we are required to state to them in accordance with the terms agreed with the company, and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

**Ian Griffiths**  
**for and on behalf of KPMG LLP, Statutory Auditor**  
*Chartered Accountants*  
15 Canada Square  
London  
E14 5GL  
2 March 2023

**Structure of the financial statements**

Consolidated income statement

Consolidated statement of comprehensive income

Consolidated balance sheet

Consolidated statement of changes in equity

Consolidated cash flow statement

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- 8.1 Shareholder information
- 8.2 Alternative performance measures

## Consolidated income statement

| For the year ended 31 December 2022                   | 2022<br>£m                  | 2021<br>£m |
|-------------------------------------------------------|-----------------------------|------------|
| <b>Continuing operations:</b>                         |                             |            |
| Revenue                                               | 2.2 <b>3,014.6</b>          | 3,182.5    |
| Cost of sales                                         | <b>(2,298.6)</b>            | (2,506.7)  |
| <b>Gross profit</b>                                   | <b>716.0</b>                | 675.8      |
| Administrative expenses                               | 2.3, 2.4 2.8 <b>(795.6)</b> | (762.4)    |
| <b>Operating loss</b>                                 | 2.3 2.4 2.8 <b>(79.6)</b>   | (86.6)     |
| Share of results in associates and investment gains   | <b>5.8</b>                  | (0.6)      |
| Net finance expense                                   | 4.3 <b>(31.7)</b>           | (46.9)     |
| Gain on business disposal                             | 2.8 <b>166.9</b>            | 419.7      |
| <b>Profit before tax</b>                              | 2.4 <b>61.4</b>             | 285.6      |
| Income tax credit/(charge)                            | 2.6 <b>14.6</b>             | (61.5)     |
| <b>Profit for the year from continuing operations</b> | <b>76.0</b>                 | 224.1      |
| <b>Discontinued operations:</b>                       |                             |            |
| Profit for the year                                   | 2.9 —                       | 3.1        |
| <b>Total profit for the year</b>                      | <b>76.0</b>                 | 227.2      |
| <b>Attributable to:</b>                               |                             |            |
| Owners of the Company                                 | <b>74.8</b>                 | 224.7      |
| Non-controlling interests                             | 4.7 <b>1.2</b>              | 2.5        |
|                                                       | <b>76.0</b>                 | 227.2      |
| <b>Earnings per share</b>                             | 2.7                         |            |
| Continuing – basic                                    | <b>4.47 p</b>               | 13.33 p    |
| – diluted                                             | <b>4.40 p</b>               | 13.15 p    |
| Total operations – basic                              | <b>4.47 p</b>               | 13.52 p    |
| – diluted                                             | <b>4.40 p</b>               | 13.33 p    |
| Adjusted operating profit/(loss)                      | 2.4 <b>102.9</b>            | (77.7)     |
| Adjusted profit/(loss) before tax <sup>1</sup>        | 2.4 <b>73.8</b>             | (122.8)    |
| Adjusted earnings/(loss) per share <sup>1</sup>       | 2.7 <b>6.20 p</b>           | (7.74)p    |
| Adjusted and diluted earnings/(loss) per share        | 2.7 <b>6.09 p</b>           | (7.74)p    |

<sup>1</sup> From January 2022, the Board is placing the focus exclusively on the adjusted earnings per share, which is the primary financial performance indicator. The Board will continue to monitor the impact of the changes to the adjusted earnings per share on the financial performance of the Company.

## Consolidated statement of comprehensive income

| For the year ended 31 December 2022                                                | 2022<br>£m         | 2021<br>£m |
|------------------------------------------------------------------------------------|--------------------|------------|
| <b>Total profit for the year</b>                                                   | <b>76.0</b>        | 227.2      |
| <b>Other comprehensive expense</b>                                                 |                    |            |
| <b>Items that will not be reclassified subsequently to the income statement</b>    |                    |            |
| Actuarial (loss)/gain on defined benefit pension schemes                           | 5.2 <b>(8.9)</b>   | 109.4      |
| Tax effect on defined benefit pension schemes                                      | 2.6 <b>2.0</b>     | (18.1)     |
| Gain on fair value of investments                                                  | <b>0.2</b>         | 0.1        |
| <b>Items that will or may be reclassified subsequently to the income statement</b> |                    |            |
| Exchange differences on translation of foreign operations                          | <b>(0.6)</b>       | 3.0        |
| Exchange differences realised on business disposals                                | <b>0.3</b>         | (2.8)      |
| Gain on cash flow hedges                                                           | 4.2 4 <b>11.5</b>  | 1.3        |
| Cash flow hedges recycled to the income statement                                  | 4.2 4 <b>(5.1)</b> | 0.6        |
| Tax effect on cash flow hedges                                                     | 2.6 <b>(1.6)</b>   | 2.2        |
| <b>Other comprehensive (expense)/ income for the year net of tax</b>               | <b>(2.2)</b>       | 95.7       |
| <b>Total comprehensive income for the year net of tax</b>                          | <b>73.8</b>        | 322.9      |
| <b>Attributable to:</b>                                                            |                    |            |
| Owners of the Company                                                              | <b>72.6</b>        | 320.5      |
| Non-controlling interests                                                          | 4.7 <b>1.2</b>     | 2.4        |
|                                                                                    | <b>73.8</b>        | 322.9      |

The accompanying figures are an integral part of the consolidated financial statements.

## Consolidated balance sheet

At 31 December 2022

|                                                     | Notes   | 2022<br>£m     | 2021<br>£m     |
|-----------------------------------------------------|---------|----------------|----------------|
| <b>Non-current assets</b>                           |         |                |                |
| Property, plant and equipment                       | 3.2     | 101.1          | 129.0          |
| Intangible assets                                   | 3.3     | 106.0          | 147.3          |
| Goodwill                                            | 3.4     | 605.9          | 951.7          |
| Right-of-use assets                                 | 3.5     | 249.5          | 287.9          |
| Investments in associates and joint ventures        |         | 0.2            | 0.7            |
| Contract fulfilment assets                          | 3.1.3   | 263.0          | 286.7          |
| Financial assets                                    | 4.5     | 118.2          | 107.2          |
| Deferred tax assets                                 | 2.6     | 189.5          | 176.0          |
| Employee benefits                                   | 5.2     | 42.7           | 13.3           |
| Trade and other receivables                         | 3.1.1   | 15.8           | 15.7           |
|                                                     |         | <b>1,691.9</b> | <b>2,115.5</b> |
| <b>Current assets</b>                               |         |                |                |
| Financial assets                                    | 4.5     | 23.6           | 17.5           |
| Disposal group assets held-for-sale                 | 2.8     | —              | 138.8          |
| Trade and other receivables                         | 3.1.1   | 430.4          | 547.1          |
| Cash                                                | 4.5.1   | 396.8          | 317.6          |
| Income tax receivable                               |         | 9.9            | 5.9            |
|                                                     |         | <b>860.7</b>   | <b>1,026.9</b> |
| <b>Total assets</b>                                 |         | <b>2,552.6</b> | <b>3,142.4</b> |
| <b>Current liabilities</b>                          |         |                |                |
| Trade and other payables                            | 3.1.2   | 492.5          | 542.2          |
| Deferred income                                     | 2.2.3   | 585.1          | 669.8          |
| Overdrafts                                          | 4.5.4   | 219.6          | 231.9          |
| Lease liabilities                                   | 4.4.4.5 | 55.6           | 61.6           |
| Disposal group liabilities held-for-sale            | 2.8     | —              | 81.1           |
| Finance liabilities                                 | 4.5     | 84.6           | 286.3          |
| Provisions                                          | 3.6     | 75.7           | 126.6          |
|                                                     |         | <b>1,513.1</b> | <b>1,999.5</b> |
| <b>Non-current liabilities</b>                      |         |                |                |
| Trade and other payables                            | 3.1.2   | 15.1           | 15.4           |
| Deferred income                                     | 2.2.3   | 55.6           | 124.9          |
| Lease liabilities                                   | 4.4.4.5 | 341.9          | 386.8          |
| Financial liabilities                               | 4.5     | 212.6          | 291.9          |
| Deferred tax liabilities                            | 2.6     | 6.9            | 5.9            |
| Provisions                                          | 3.6     | 51.6           | 14.0           |
| Employee benefits                                   | 5.2     | 3.1            | 7.5            |
|                                                     |         | <b>686.8</b>   | <b>846.4</b>   |
| <b>Total liabilities</b>                            |         | <b>2,199.9</b> | <b>2,845.9</b> |
| <b>Net assets</b>                                   |         | <b>352.7</b>   | <b>296.5</b>   |
| <b>Capital and reserves</b>                         |         |                |                |
| Share capital                                       | 4.6     | 34.8           | 34.8           |
| Share premium                                       | 4.6     | 1,145.5        | 1,145.5        |
| Employee benefit trust and treasury shares          | 4.6     | (4.2)          | (8.0)          |
| Capital redemption reserve                          |         | 1.8            | 1.8            |
| Other reserves                                      |         | (4.5)          | (9.9)          |
| Retained deficit                                    |         | (843.2)        | (890.6)        |
| <b>Equity attributable to owners of the Company</b> |         | <b>330.2</b>   | <b>274.5</b>   |
| Non-controlling interests                           | 4.7     | 22.5           | 22.0           |
| <b>Total equity</b>                                 |         | <b>352.7</b>   | <b>296.5</b>   |

The accompanying notes are an integral part of these consolidated financial statements.

These consolidated financial statements were approved by the Board of directors on 2 March 2023 and signed on its behalf by:

Jon Lewis

Tim Weller

Company registration number: 01761370

## Consolidated statement of changes in equity

For the year ended 31 December 2022

|                                                                                        | Share<br>capital<br>£m | Share<br>premium<br>£m | Employee<br>benefit<br>trust and<br>treasury<br>shares<br>£m | Capital<br>redemption<br>reserve<br>£m | Retained<br>deficit<br>£m | Other<br>reserves<br>£m | Total<br>attributable<br>to the<br>owners of<br>the parent<br>£m | Non-<br>controlling<br>interests<br>£m | Total<br>equity<br>£m |
|----------------------------------------------------------------------------------------|------------------------|------------------------|--------------------------------------------------------------|----------------------------------------|---------------------------|-------------------------|------------------------------------------------------------------|----------------------------------------|-----------------------|
| At 31 December 2020                                                                    | 34.5                   | 1,143.3                | (11.2)                                                       | 1.8                                    | (1,289.5)                 | (13.4)                  | (134.5)                                                          | 53.4                                   | (81.1)                |
| Profit for the year                                                                    | —                      | —                      | —                                                            | —                                      | 224.7                     | —                       | 224.7                                                            | 2.5                                    | 227.2                 |
| Other comprehensive income/(expense)                                                   | —                      | —                      | —                                                            | —                                      | 91.4                      | 4.4                     | 95.8                                                             | (0.1)                                  | 95.7                  |
| Total comprehensive income for the year                                                | —                      | —                      | —                                                            | —                                      | 316.1                     | 4.4                     | 320.5                                                            | 2.4                                    | 322.9                 |
| Share-based payment net of tax effects (note 2.6 note 5.1)                             | —                      | —                      | —                                                            | —                                      | 1.6                       | —                       | 1.6                                                              | —                                      | 1.6                   |
| Reclassification                                                                       | —                      | —                      | —                                                            | —                                      | (6.4)                     | —                       | (6.4)                                                            | 6.4                                    | —                     |
| Elimination of non-controlling interest on disposal (note 2.8.1)                       | —                      | —                      | —                                                            | —                                      | —                         | —                       | —                                                                | (3.4)                                  | (3.4)                 |
| Exercise of share options under employee long-term incentive plans (note 4.6 note 5.1) | —                      | —                      | 3.5                                                          | —                                      | (3.5)                     | —                       | —                                                                | —                                      | —                     |
| Shares issued (note 4.6)                                                               | 0.3                    | —                      | (0.3)                                                        | —                                      | —                         | —                       | —                                                                | —                                      | —                     |
| VAT refund on rights issue issuance costs (note 4.6)                                   | —                      | 2.2                    | —                                                            | —                                      | —                         | —                       | 2.2                                                              | —                                      | 2.2                   |
| Dividends paid                                                                         | —                      | —                      | —                                                            | —                                      | —                         | —                       | —                                                                | (36.8)                                 | (36.8)                |
| Movement in put-options held by non-controlling interests <sup>1</sup>                 | —                      | —                      | —                                                            | —                                      | 91.1                      | —                       | 91.1                                                             | —                                      | 91.1                  |
| At 31 December 2021                                                                    | 34.8                   | 1,145.5                | (8.0)                                                        | 1.8                                    | (890.6)                   | (9.0)                   | 274.5                                                            | 22.0                                   | 296.5                 |
| Impact of change in accounting standards – amendments to IAS 37 <sup>2</sup>           | —                      | —                      | —                                                            | —                                      | (21.7)                    | —                       | (21.7)                                                           | —                                      | (21.7)                |
| At 1 January 2022 on adoption of IAS 37                                                | 34.8                   | 1,145.5                | (8.0)                                                        | 1.8                                    | (912.3)                   | (9.0)                   | 252.8                                                            | 22.0                                   | 274.8                 |
| Profit for the year                                                                    | —                      | —                      | —                                                            | —                                      | 74.8                      | —                       | 74.8                                                             | 1.2                                    | 76.0                  |
| Other comprehensive income/(expense)                                                   | —                      | —                      | —                                                            | —                                      | (6.7)                     | 4.5                     | (2.2)                                                            | —                                      | (2.2)                 |
| Total comprehensive income for the year                                                | —                      | —                      | —                                                            | —                                      | 68.1                      | 4.5                     | 72.6                                                             | 1.2                                    | 73.8                  |
| Share-based payment net of tax effects (note 2.6 note 5.1)                             | —                      | —                      | —                                                            | —                                      | 5.4                       | —                       | 5.4                                                              | —                                      | 5.4                   |
| Elimination of non-controlling interest on disposal (note 2.8.1)                       | —                      | —                      | —                                                            | —                                      | —                         | —                       | —                                                                | (0.3)                                  | (0.3)                 |
| Exercise of share options under employee long-term incentive plans (note 4.6 note 5.1) | —                      | —                      | 3.8                                                          | —                                      | (3.8)                     | —                       | —                                                                | —                                      | —                     |
| Dividends paid                                                                         | —                      | —                      | —                                                            | —                                      | —                         | —                       | —                                                                | (0.4)                                  | (0.4)                 |
| Movement in put-options held by non-controlling interests                              | —                      | —                      | —                                                            | —                                      | (0.6)                     | —                       | (0.6)                                                            | —                                      | (0.6)                 |
| At 31 December 2022                                                                    | 34.8                   | 1,145.5                | (4.2)                                                        | 1.8                                    | (843.2)                   | (4.5)                   | 330.2                                                            | 22.5                                   | 352.7                 |

1. The Group has adopted the amendments to IAS 37 on 1 January 2022. The impact of this change in accounting standards on the Group's equity is set out in the table above.

2. The impact of the change in accounting standards on 1 January 2022 is set out in the table above. The Group has adopted the amendments to IAS 37 on 1 January 2022. The impact of this change in accounting standards on the Group's equity is set out in the table above.

3. The Group has adopted the amendments to IAS 37 on 1 January 2022. The impact of this change in accounting standards on the Group's equity is set out in the table above.

**Share capital** – The balance classified as share capital is the nominal proceeds on issue of the Parent Company's equity share capital, comprising 211.15p ordinary shares.

**Share premium** – The amount paid to the Parent Company by shareholders, in cash or other consideration, over and above the nominal value of shares issued to them less issuance costs.

**Employee benefit trust and treasury shares** – Shares that have been bought back by the Parent Company which are available for retirement or resale. Shares held in the employee benefit trust have no voting rights and no entitlement to a dividend.

**Capital redemption reserve** – The Parent Company can redeem shares by repaying the market value to the shareholder, whereupon the shares are cancelled. Redemption must be from distributable profits. The Capital redemption reserve represents the nominal value of the shares redeemed.

**Retained deficit** – Net losses or profits accumulated in the Group after dividends are paid.

**Other reserves** – This consists of the foreign currency translation reserve deficit of £8.6m (2021: £8.3m deficit) and the cash flow hedging reserve surplus of £4.1m (2021: £0.7m deficit).

**Non-controlling interests (NCI)** – This represents equity in subsidiaries not attributable directly or indirectly to the Parent Company.

The accompanying figures are an integral part of these consolidated financial statements.

## Consolidated cash flow statement

For the year ended 31 December 2022

|                                                                                          | Notes         | 2022<br>£m     | Revised<br>2021<br>£m |
|------------------------------------------------------------------------------------------|---------------|----------------|-----------------------|
| <b>Cash generated from/(used by) operations</b>                                          | 2.10          | <b>117.8</b>   | (148.5)               |
| Income tax paid                                                                          |               | (7.9)          | (17.7)                |
| Net interest paid                                                                        |               | (38.0)         | (40.1)                |
| <b>Net cash inflow/(outflow) from operating activities</b>                               |               | <b>71.9</b>    | (206.3)               |
| <b>Cash flows from investing activities</b>                                              |               |                |                       |
| Purchase of property, plant and equipment                                                | 3.2           | (20.6)         | (25.6)                |
| Purchase of intangible assets                                                            | 3.3           | (27.3)         | (32.5)                |
| Proceeds from sale of property, plant and equipment and intangible assets                | 2.3, 3.2, 3.3 | 0.5            | 0.1                   |
| Additions to investments held at fair value through profit and loss                      |               | (2.4)          | (0.1)                 |
| Capital repayment from investments at fair value through other comprehensive income      |               | 0.2            | 0.3                   |
| Subsidiary partnership payment                                                           |               | —              | (4.7)                 |
| Capital element of lease rental receipts                                                 |               | 5.8            | 0.5                   |
| Total proceeds received from disposals net of disposal costs                             | 2.8           | 463.4          | 510.3                 |
| Cash held by subsidiaries when sold                                                      | 2.8           | (75.5)         | (25.9)                |
| <b>Net cash inflow from investing activities</b>                                         |               | <b>344.1</b>   | 422.4                 |
| <b>Cash flows from financing activities</b>                                              |               |                |                       |
| Dividends paid to non-controlling interests                                              |               | (0.4)          | (10.8)                |
| Capital element of lease rental payments                                                 | 2.10.3        | (61.8)         | (82.6)                |
| Proceeds from issue of share capital (net of issuance costs)                             |               | —              | 2.2                   |
| Repayment of private placement loan notes and other debt                                 | 2.10.3        | (237.4)        | (232.3)               |
| (Repayment of) proceeds from credit facilities                                           | 2.10.3        | (46.0)         | 46.0                  |
| Proceeds from cross-currency interest rate swaps                                         | 2.10.3        | 10.1           | 19.7                  |
| Debt financing arrangement costs                                                         | 2.10.3        | (5.2)          | (1.9)                 |
| <b>Net cash outflow from financing activities</b>                                        |               | <b>(340.7)</b> | (259.7)               |
| <b>Increase/(decrease) in cash and cash equivalents</b>                                  |               | <b>75.3</b>    | (43.6)                |
| Cash and cash equivalents at the beginning of the period                                 |               | 101.5          | 141.1                 |
| Effect of exchange rates on cash and cash equivalents                                    |               | 0.4            | 4.0                   |
| <b>Cash and cash equivalents at 31 December</b>                                          |               | <b>177.2</b>   | 101.5                 |
| <b>Cash and cash equivalents comprise:</b>                                               |               |                |                       |
| Cash                                                                                     | 4.5.4         | 396.8          | 317.6                 |
| Overdrafts                                                                               | 4.5.4         | (219.6)        | (231.9)               |
| Cash, net of overdrafts, included in disposal group assets and liabilities held-for-sale | 2.8           | —              | 15.8                  |
| <b>Total</b>                                                                             |               | <b>177.2</b>   | 101.5                 |
| <b>Cash generated from/(used by) operations before business exits</b>                    | 2.10          | <b>116.5</b>   | (109.7)               |
| <b>Free cash flow before business exits</b>                                              | 2.10          | <b>29.0</b>    | (213.6)               |

Free cash flow is defined as cash generated from/(used by) operations before business exits, less interest paid, less income tax paid, less capital element of lease rental payments, less dividends paid to non-controlling interests, less proceeds from issue of share capital (net of issuance costs), less proceeds from cross-currency interest rate swaps, less debt financing arrangement costs, less capital element of lease rental payments, less capital repayments from investments at fair value through other comprehensive income, less additions to investments held at fair value through profit and loss, less proceeds from sale of property, plant and equipment and intangible assets, less purchase of intangible assets, less purchase of property, plant and equipment.

The accompanying notes are an integral part of these consolidated financial statements.

## Section 1: Basis of preparation

This section sets out the Group's accounting policies relating to these consolidated financial statements as a whole. Where an accounting policy is specific to one note, the policy is described in the note to which it relates.

This section also includes details of new accounting standards, amendments and interpretations including their effective dates and explanation on the expected impact to the financial position and performance of the Group.

For ease of reference, this symbol has been used to denote any accounting policies included within the notes:

**AP** Denotes accounting policies

These financial statements consolidate those of Capita plc (the Company or the Parent Company) and all of its subsidiaries (the Group). Capita plc is a public limited company incorporated in England and Wales whose shares are publicly traded. The principal activities of the Group are given in the strategic report on pages 16 to 25.

These consolidated financial statements of Capita plc for the year ended 31 December 2022 were authorised for issue in accordance with a resolution of the directors on 2 March 2023.

These consolidated financial statements are presented in British pounds sterling and all values are rounded to the nearest tenth of a million (£m) except where otherwise indicated.

### Statement of compliance

These consolidated financial statements have been prepared in accordance with UK-adopted International Financial Reporting Standards (IFRSs) and the Disclosure and Transparency Rules of the UK's Financial Conduct Authority.

### Basis of consolidation

These consolidated financial statements comprise the financial statements of the Group at 31 December each year. Subsidiaries are consolidated from the date on which control is transferred to the Group until control is transferred out of the Group. Where there is a loss of control of a subsidiary, these consolidated financial statements include the results for that part of the reporting year during which Capita plc had control and the profit or loss on disposal is calculated as the difference between the fair value of the consideration received and the carrying amount of the net assets (including goodwill) disposed of. Losses applicable to the non-controlling interests in subsidiaries are attributed to the non-controlling interests even if that results in the non-controlling interests having a deficit balance.

Investments in associates are accounted for using the equity method. Under the equity method, the investment in the entity is stated as a one line item at cost plus the investor's share of retained post-acquisition profits or losses and other changes in net assets less any impairment.

### Going concern

In determining the appropriate basis of preparation of the financial statements for the year ended 31 December 2022, the Board is required to consider whether the Group and Parent Company can continue in operational existence for the foreseeable future. The Board has concluded that it is appropriate to adopt the going concern basis, having undertaken a rigorous assessment of the financial forecasts, key uncertainties, sensitivities, and mitigations as set out below.

Accounting standards require that the 'foreseeable future' for going concern assessment covers a period of at least twelve months from the date of approval of these financial statements, although those standards do not specify how far beyond twelve months a Board should consider. In its going concern assessment, the Board has considered the period from the date of approval of these financial statements to 31 August 2024 (the going concern period) and which aligns with the expiry of the revolving credit facility (RCF).

The base case financial forecasts used in the going concern assessment are derived from the 2023-2024 business plans as approved by the Board in January 2023.

The going concern assessment considers the Group's sources and uses of liquidity and covenant compliance throughout the period under review. The value of the Group's committed RCF was £288.4m at 31 December 2022 and it expires on 31 August 2024. In February 2023, the Group executed a committed bridge facility of £50m with three of its relationship banks providing additional liquidity from 1 January 2024. The committed bridge facility has an expiry date of 31 December 2024 and is subject to covenants which are the same as those in the RCF. Both the RCF and the £50m bridge facility incorporate provisions such that they will partially reduce in quantum as a consequence of specified transactions, including disposals, equity raises or other refinancing.

Given the track record of the Group extending the RCF in prior years, including in 2022, and the committed bridge facility executed in February 2023, the Board is confident that the RCF will be extended or refinanced and be of a sufficient quantum well ahead of its expiry in August 2024.

### Financial position at 31 December 2022

As detailed further in the Chief Financial Officer's review in the strategic report, as at 31 December 2022 the Group had net debt of £482.4m (2021: £879.8m), net financial debt (pre-IFRS 16) of £81.9m (2021: £131.4m), liquidity of £495.2m (2021: £392.4m) and was in compliance with all debt covenants.

### Board assessment

#### Base case scenario

Under the base case scenario, completion of the Group's transformation programme has simplified and strengthened the business and facilitates further efficiency savings enabling sustainable growth in revenue, profit and cash flow over the medium term. This enables the generation of positive free cash flows, and, when combined with the proceeds from the Board approved disposal programme and available committed facilities allows the Group to manage scheduled debt repayments. The most material sensitivity to the base case is the risk of not delivering the planned revenue growth.

As previously announced, the Board's plan is to establish an optimal capital structure to support the execution of the Group's strategy and to dispose of businesses that do not align with that strategy. The completion of the disposal programme requires agreement from third parties and major disposals may be subject to shareholder and lender approval. Such agreements and approvals are outside the direct control of the Company and, as such, the inclusion of the effect of any potential future disposals on the Group's financials is inappropriate for going concern assessment purposes in accordance with IAS 1 Presentation of Financial Statements.

## Section 1: Basis of preparation continued

The base case projections used for going concern assessment purposes reflect business disposals completed up to the date of approval of these financial statements but do not reflect the benefit of any further disposals that are in the pipeline. The liquidity headroom assessment in the base case projections reflects the Group's existing committed financing facilities and debt redemptions and does not reflect any potential future refinancing other than in respect of the current RCF as noted above.

The base case financial forecasts demonstrate liquidity headroom and compliance with all debt covenant measures throughout the going concern period to 31 August 2024.

### Severe but plausible downside scenario

In considering severe but plausible downside scenarios, the Board has taken account of the potential adverse financial impacts resulting from the following risks:

- revenue growth falling materially short of plan;
- operating profit margin expansion not being achieved;
- additional inflationary cost impacts which cannot be passed on to customers;
- unforeseen operational issues leading to contract losses and cash outflows;
- increased interest rates;
- reduction in deferred cash consideration in respect of completed disposals;
- non-availability of the Group's non-recourse receivables financing facility; and
- unexpected financial costs and penalties linked to incidents such as data breaches and/or cyber-attacks

The likelihood of simultaneous crystallisation of the above risks is considered by the directors to be relatively low. Nevertheless in the event that simultaneous crystallisation were to occur, the Group would need to take action to mitigate the risk of insufficient liquidity and covenant headroom. In its assessment of going concern, the Board has considered the mitigations under the direct control of the Group, that could be implemented including reductions in capital investment, substantially reducing (or removing in full) bonus and incentive payments and significantly reducing discretionary spend. Taking these mitigations into account, the Group's financial forecasts, in a severe but plausible downside scenario, demonstrate sufficient liquidity headroom and compliance with all debt covenant measures throughout the going concern period to 31 August 2024.

### Adoption of going concern basis

Reflecting the Board's confidence in the benefits expected from the completion of the transformation programme and ability to obtain further RCF financing beyond its existing committed funding facilities coupled with its ability to implement appropriate mitigations should the severe but plausible downside materialise, the Group continues to adopt the going concern basis in preparing these financial statements. The Board has concluded that the Group and Parent Company will be able to continue in operation and meet their liabilities as they fall due over the period to 31 August 2024.

### Foreign currency translation

The functional and presentation currency of Capita plc and its UK subsidiaries is the British pound sterling (£). Transactions in foreign currencies are initially recorded at the functional currency exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency exchange rate ruling at the balance sheet date. All differences are taken to the consolidated income statement with the exception of differences on foreign currency borrowings that provide a hedge against a net investment in a foreign operation. These are taken directly to equity until the disposal of the net investment, at which time they are recognised in the consolidated income statement.

Tax charges and credits attributable to exchange differences on those borrowings are also taken directly to equity. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currencies of overseas operations include the euro, Indian rupee, South African rand and the US dollar. At the reporting date, the assets and liabilities of the overseas operations are retranslated into the presentation currency of Capita plc at the exchange rate ruling at the balance sheet date and their income statements are translated using the weighted average exchange rate for the year.

The exchange differences arising on the retranslation are taken directly to a separate component of equity. On disposal of a foreign operation the deferred cumulative foreign currency translation difference recognised in equity relating to that particular foreign operation is recognised in the consolidated income statement.

### Current versus non-current classification

The Group presents assets and liabilities in the balance sheet based on whether they are current or non-current.

An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is an unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

## Section 1: Basis of preparation continued

### Recoverable amount of non-current assets

At each reporting date, the Group assesses whether there is any indication that a non-current asset may be impaired. Where an indicator of impairment exists, the Group makes a formal estimate of the asset's recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. The recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use, and is determined for an individual asset unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets.

### Significant accounting judgements, estimates and assumptions

The preparation of financial statements in accordance with generally accepted accounting principles requires the directors to make judgements and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies at the date of the financial statements and the reported income and expense during the presented periods. Although these judgements and assumptions are based on the directors' best knowledge of the amount, events or actions, actual results may differ.

As described in note 2.1, given the level of judgement and estimation involved in assessing the future profitability of contracts, it is reasonably possible that outcomes within the next financial year may be different from management's assumptions and could require a material adjustment to the carrying amounts of contract assets and/or onerous contract provisions.

The impact of climate change has been considered in the preparation of these financial statements across a number of areas, including our evaluation of the critical accounting estimates and judgements which are detailed below, consistent with the risks and opportunities set out in the strategic report on pages 49 to 53. None of these risks had a material effect on the critical accounting estimates or on the consolidated financial statements of the Group. The Group will continue developing its assessment of the impact that climate change may have on the assets and liabilities recognised and presented in its financial statements.

The key sources of uncertainty that have a significant risk of causing material adjustments to the carrying amounts of assets and liabilities within the next financial year are summarised below and set out in more detail in the related note:

- Contract accounting (note 2.1)
  - Impairment of contract fulfilment assets
  - Customer and onerous contract provisions
- Deferred tax asset recognition (note 2.6)
- Impairment of goodwill (note 3.4)
- Measurement of defined benefit pension obligations (note 5.2)

The key areas where significant accounting judgements have been made are summarised below and set out in more detail in the related note:

- Capitalisation of contract fulfilment assets (note 3.1)
- Measurement of goodwill (note 3.4)

For ease of reference, this symbol has been used to denote significant accounting judgements and estimates where they occur within the notes:



Denotes significant accounting judgements, estimates and assumptions

### New standards and interpretations adopted

The accounting policies adopted are consistent with those of the previous financial year. In addition, the Group has adopted the amendments to standards which are listed below. Those amendments were either not applicable or not material to the Group, except for the impact of the Amendments to IAS 37 detailed further below.

| International Accounting Standards (IAS/IFRS)                                      | Effective date |
|------------------------------------------------------------------------------------|----------------|
| Onerous Contracts - Cost of Fulfilling a Contract (Amendments to IAS 37)           | 1 January 2022 |
| Annual Improvements to IFRS Standards 2018 - 2020                                  | 1 January 2022 |
| Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16) | 1 January 2022 |
| Reference to the Conceptual Framework (Amendments to IFRS 3)                       | 1 January 2022 |

**Onerous contracts – cost of fulfilling a contract (Amendments to IAS 37)**

An onerous contract is a contract under which the unavoidable costs (ie the costs that the Group cannot avoid because it has the contract) of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

The amendments specify that when assessing whether a contract is onerous or loss-making, an entity needs to include costs that relate directly to a contract to provide goods or services, which include both incremental costs (eg the costs of direct labour and materials) and an allocation of costs directly related to contract activities (eg depreciation of equipment used to fulfil the contract as well as costs of contract management and supervision). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The Group has adopted the amendment which resulted in a change in accounting policy for performing an onerous contract assessment. Previously, the Group included only incremental costs to fulfil a contract when determining whether that contract was onerous. The revised policy requires inclusion of both incremental costs and an allocation of other direct costs.

In accordance with the transitional provisions, the Group applies the amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application) and has not restated its comparative information.

## Section 1: Basis of preparation continued

The adoption of the amended standard has resulted in a reduction in retained earnings at 1 January 2022 of £21.7m, comprising an increase of £18.8m in onerous contract provisions and an impairment of contract related assets of £2.9m. The additional onerous contract provision recognised is tax deductible, however, no deferred tax asset has been recognised reflecting the probable level of future taxable profits that will be available against which the assets can be utilised at 1 January 2022.

|                                       | 1 January 2022<br>£m |
|---------------------------------------|----------------------|
| <b>Impact of amendments to IAS 37</b> |                      |
| Property, plant and equipment         | (0.5)                |
| Contract fulfilment assets            | (2.4)                |
| <b>Total assets</b>                   | (2.9)                |
| Provisions (current)                  | (10.6)               |
| Provisions (non-current)              | (8.2)                |
| <b>Total liabilities</b>              | (18.8)               |
| Retained earnings                     | (21.7)               |
| <b>Total equity</b>                   | (21.7)               |

### New standards and interpretations not yet adopted

The International Accounting Standards Board (IASB) has issued the following standards, amendments and interpretations with an effective date after the date of these consolidated financial statements. These are effective for annual reporting periods beginning on or after the date indicated.

| International Accounting Standards (IAS/IFRS)                                                                            | Effective from |
|--------------------------------------------------------------------------------------------------------------------------|----------------|
| IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts                                                | 1 January 2023 |
| Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)                                    | 1 January 2023 |
| Definition of Accounting Estimates (Amendments to IAS 8)                                                                 | 1 January 2023 |
| Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)                  | 1 January 2023 |
| Sale or contribution of assets between an investor and its associate or joint venture (Amendments to IFRS 10 and IAS 28) | 1 January 2023 |

The Group is assessing the impact of these new standards and the Group's financial reporting will be presented in accordance with these standards from the effective date.

### IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts

IFRS 17 Insurance Contracts (IFRS 17) is a comprehensive new accounting standard for insurance contracts covering recognition, measurement, presentation and disclosure, and will replace IFRS 4 Insurance Contracts (IFRS 4). IFRS 17 applies to all types of insurance contracts (ie life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features.

The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects.

IFRS 17 is effective for reporting periods beginning on or after 1 January 2023 and must be applied retrospectively unless impracticable, in which case the Group has the option of using either the modified retrospective approach or the fair value approach. Based on initial analysis performed, it is not anticipated that this new accounting standard will have a material impact on the way the Group recognises its provisions in relation to insurance contracts.

## Section 2: Results for the year

This section contains notes related to the financial performance of the Group. These include:

- 2.1 Contract accounting
- 2.2 Revenue including segmental revenue
- 2.3 Operating profit
- 2.4 Adjusted operating profit and adjusted profit before tax
- 2.5 Segmental information
- 2.6 Taxation
- 2.7 Earnings/(loss) per share
- 2.8 Business exits and assets held-for-sale
- 2.9 Discontinued operations
- 2.10 Cash flow information

**AP** Denotes accounting policies

**JA** Denotes significant accounting judgements, estimates and assumptions

### Key figures

#### Reported revenue

**£3,014.6m**

(2021: £3,182.5m)

#### Reported free cash flow

**£24.5m**

(2021: £1264.3m)

#### Reported profit before tax

**£61.4m**

(2021: profit £285.6m)

#### Reported earnings per share (EPS) – continuing operations

**4.47p**

(2021: 13.33p)

#### Adjusted revenue<sup>1</sup>

Aim: Achieve long-term organic revenue growth

**£2,815.8m**

(2021: £2,777.8m)

#### Free cash flow before business exits<sup>2</sup>

Aim: Achieve sustainable, long-term positive free cash flow growth generation

**£29.0m**

(2021: £1218.6m)

#### Adjusted profit before tax<sup>1</sup>

Aim: Achieve long-term growth in profit

**£73.9m**

(2021: loss £122.8m)

#### Adjusted earnings per share (EPS)<sup>1</sup>

Aim: Achieve long-term growth in EPS

**6.20p**

(2021: (7.74)p)

<sup>1</sup> Includes revenue and profit from discontinued operations and assets held-for-sale.

<sup>2</sup> Includes cash flow from discontinued operations and assets held-for-sale.

## Section 2: Results for the year continued

In 2022 the Group's adjusted revenue<sup>1</sup> increased year on year. Adjusted profit before tax<sup>1</sup> significantly improved year on year following completion of the significant restructuring programme in 2021 and provisions and impairments during 2021 in our closed book Life & Pensions business. The higher level of profit supplemented by a lower cash outflow from movements in working capital and a reduction in capital expenditure and materially lower deferred VAT repayments and pension deficit contributions, resulting in free cash inflow before business exits<sup>1</sup> of £29.0m (2021: £218.6m outflow).

The Group had additional cash inflow of £4.1m (2021: £36.2m inflow) arising from those businesses sold in the year, primarily Pay360 and businesses in the Capita Portfolio division, offset by additional pension deficit payments triggered by these disposals totalling £8.6m (2021: £81.9m).

### Revenue

Adjusted revenue<sup>1</sup> increased by 2.4% year-on-year.

The adjusted revenue increased as a result of the following:

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

The difference of £168.8m between adjusted revenue of £2,845.8m and reported revenue of £3,014.6m is related to business exits in the year (refer to note 2.8).

For additional information, which does not form part of these consolidated financial statements, the Chief Financial Officer's review in the strategic report includes further information in respect of the movement.

### Profit before tax

The adjusted result before tax<sup>1</sup> improved by £196.6m year-on-year to a profit of £73.8m.

The adjusted profit before tax<sup>1</sup> increased as a result of the profit impact of the following:

- **Capita Public Service:** benefits from the wins in 2022, the annualised benefit of the Royal Navy training contract and the non-recurrence of Electronic Monitoring programme costs in 2021, offset by a reduction on the British Army recruitment (BRP) contract resulting from transition to the next phase of service delivery.
- **Capita Experience:** flow through of prior year losses including 3UK, William Hill and in closed book Life & Pensions business, 2021 was impacted by provisions and impairments in our closed book Life & Pensions business, and completion of significant restructuring.
- **Capita Portfolio:** benefits from post Covid-19 recovery in transactional businesses and the non-repeat of 2021 restructuring costs, offset by operational investment in certain businesses, and
- **Capita plc:** benefits from the end of the transformation programme (2021 included £128.6m of significant restructuring) and efficiencies realised, offset by the effect of the announced intention to repay the 2021 furlough-related income (£4.9m).

Adjusted profit before tax<sup>1</sup> excludes a number of specific items so users of these consolidated financial statements can more clearly understand the financial performance of the Group. Reported profit before tax was £61.4m (2021: profit £235.6m). The year-on-year reduction has arisen from a lower gain on business disposals and a higher impairment of goodwill. A reconciliation of the adjusted profit before tax<sup>1</sup> to reported loss before tax is detailed in note 2.4.

Reported operating loss for the year was £79.6m (2021: loss £96.6m). Details of items charged/credited in arriving at the reported operating loss can be found in note 2.3.

For additional information, which does not form part of these consolidated financial statements, the Chief Financial Officer's review in the strategic report includes further information in respect of the movement.

### Taxation

The income tax credit of £31.8m in adjusted profit before tax<sup>1</sup> of £73.8m (2021: charge of £1.0m on adjusted loss before tax of £122.8m) differs from the notional tax charge at the UK corporation tax rate of 19%, mainly due to adjustments in the carrying value of recognised deferred tax assets.

### Earnings per share

The movement in reported basic earnings per share and adjusted basic earnings per share<sup>1</sup> for continuing operations was a result of the performance explained above.

### Dividend

The Board is not recommending the payment of a final dividend (2021: 5p). However, the Board recognises the importance of regular dividend payments to investors in forming part of their total shareholder return and will consider the payment of dividends when the Group is generating sufficient sustainable free cash flow.

## Section 2: Results for the year continued

### Free cash flow before business exits<sup>1</sup>

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

Adjusted EBITDA increased by 67% reflecting the improvement in adjusted profit<sup>1</sup> explained earlier offset by the significant reduction in depreciation, amortisation and impairment of property, plant and equipment and intangible assets, largely driven by the Group's property rationalisation programme and the step-down in impairment charges following the £53.5m write-down of finance system investment in 2021.

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

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

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

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

Adjusted operating cash conversion<sup>1</sup> increased to 68% (2021: 48%).

1. Details of the calculation of free cash flow and EBITDA KPIs can be found in A2.

## Section 2: Results for the year continued

### 2.1 Contract accounting

At 31 December 2022, the Group had the following results and balance sheet items related to long-term contracts:

|                                                    | Notes | 2022<br>£m | 2021<br>£m |
|----------------------------------------------------|-------|------------|------------|
| Long-term contractual revenue                      | 2.2   | 2,236.2    | 2,325.2    |
| Non-current and current deferred income            |       | 640.7      | 794.7      |
| Non-current contract fulfilment assets             | 3.1.3 | 263.0      | 286.7      |
| Non-current and current onerous contract provision |       | 52.8       | 45.8       |

1. The 2021 comparative has been re-presented to reflect the reclassification of certain contracts between contract types (long-term contracts, short-term contracts and lease contracts) following a review in 2022.

#### Background

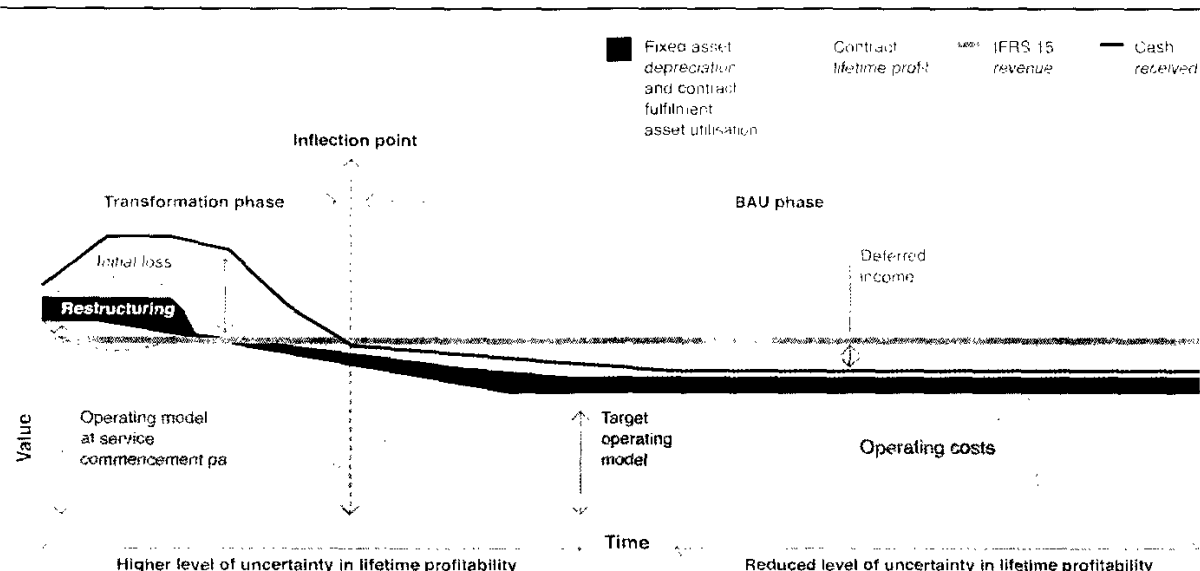
The Group operates diverse businesses. The majority of the Group's revenue is from contracts greater than two years in duration (long-term contractual), representing 74% of Group revenue in 2022 (2021: 73%).

These long-term contracts can be complex in nature given the breadth of solutions the Group offers and the transformational activities involved. Typically, Capita takes a customer's process and transforms it into a more efficient and effective solution which is then operated for the customer. The outcome is a high quality solution that addresses a customer's needs and is delivered consistently over the life of the contract.

The Group recognises revenue on long-term contracts as the value is delivered to the customer, which is generally evenly over the contract term, regardless of any restructuring and transformation activity. Capita will often incur greater costs during the transformation phase with costs diminishing over time as the target operating model is implemented and efficiencies realised. This results in lower profits or losses in the early years of contracts and potentially higher profits in later years as the transformation activities are successfully completed and the target operating model fully implemented (the business as usual (BAU) phase). The inflection point is when the contract becomes profitable.

Contract fulfilment assets are recognised for those costs qualifying for capitalisation. The utilisation of these assets is recognised over the contract term. The timing of cash receipts from customers typically matches when the costs are incurred to transform, restructure and run the service. This results in income being deferred and released as the Group continues to deliver against its obligation to provide services and solutions to its customers.

An example, showing the revenue, cost, profit and cash profit of a typical long-term contract lifecycle is as follows:



#### Significant accounting judgements, estimates and assumptions

Due to the size and complexity of some of the Group's contracts, there are significant judgements to be applied, specifically in assessing the recoverability of contract fulfilment assets and in the completion of the customer and onerous contract provisions. These judgements are related to assessing the contract's future profitability and given the inherent estimation uncertainty, it is possible that outcomes in the next financial year may be different from management's assumptions and could require a material adjustment to the carrying amounts of contract assets and onerous contract provisions.

It should be noted that while management must make judgements in relation to applying the revenue recognition policy and recognition of related deferred income or costs as depreciables, deferred income and contract assets, these are not considered significant judgements, referred to above, for the Group's purposes.

## Section 2: Results for the year continued

### 2.1 Contract accounting continued

#### Assessing contract profitability

In assessing a contract's future lifetime profitability, management must estimate forecast revenue and costs to both transform and run the service over the remaining contract term. The ability to accurately forecast the outcomes involves estimates in respect of: costs to be incurred; cost savings to be achieved; impact of inflation; future performance against any contract-specific key performance indicators (KPIs) that could trigger variable consideration or service credits; and the outcome of any commercial negotiations.

The level of uncertainty in the estimated future profitability of a contract is directly related to the stage of the life-cycle of the contract and the complexity of the performance obligations. Contracts in the transformation stage and pre-inflection stages are considered to have a higher level of uncertainty because of:

- the ability to accurately estimate the costs to deliver the transformed process;
- the dependency on the customer to agree to the specifics of the transformation; for example, where they are involved in certifying that the new process or the new technical solution designed by Capita meets their specific requirements; and
- the assumptions made to forecast expected savings in the target operating model.

Those contracts which are post-inflection and in BAU stage tend to have a much lower level of uncertainty in estimating future profitability.

#### Recoverability of contract fulfilment assets and completeness of onerous contract provisions

Management first assesses whether the contract assets are impaired and then further considers whether an onerous contract exists. For half and full year reporting, the Audit and Risk Committee specifically reviews the material judgements and estimates, and the overall approach in respect of the Group's major contracts, including comparison against previous forecasts. Major contracts include those that are material in size or risk to the Group's results. An assessment of which contracts are major contracts is performed twice a year, and to enable comparability the prior period balances below are re-presented to reflect the same scope as the current period. Other contracts are reported to the Audit and Risk Committee as deemed appropriate. These contracts are collectively referred to as 'major contracts' in the remainder of this note.

The major contracts contributed £1.4 billion (2021: £1.3 billion) or 49% (2021: 47%) of Group adjusted revenue. Non-current contract fulfilment assets at 31 December 2022 were £263.0m, of which £106.3m (2021: £118.6m) relates to major contracts with ongoing transformational activities. The remainder relates to contracts post transformation and includes non-major contracts.

The major contracts, both pre- and post-transformation, are rated according to their financial risk profile, which is linked to the level of uncertainty over future assumptions. For those that are in the high and medium rated risk categories the associated non-current contract fulfilment assets were, in aggregate, £40.4m at 31 December 2022 (2021: £41.9m). The recoverability of these assets is dependent on no significant adverse change in the key contract assumptions arising during the next financial year. The balance of deferred income associated with these contracts was £116.5m at 31 December 2022 (2021: £126.6m) and is forecast to be recognised as performance obligations continue to be delivered over the life of the respective contracts. Onerous contract provisions associated with these contracts were £42.5m at 31 December 2022 (2021: £39.5m).

Following these reviews, and reviews of smaller contracts across the business, as outlined in note 3.1.3, contract fulfilment asset impairments of £3.8m (2021: £7.3m) were identified and recognised within cost of sales, of which £0.5m (2021: £nil) relates to contract fulfilment assets added during the period, and net onerous contract provisions of £1.7m (2021: £32.0m) were identified and recognised, in cost of sales. As discussed in note 1, the adoption of the amendment to IAS 37 resulted in additional onerous contract provisions being required, as well as contract asset impairments. On adoption of the amended standard the cumulative effect was recognised as an opening balance adjustment to retained earnings.

Given the quantum of the relevant contract assets and liabilities, and the nature of the estimates noted above, management has concluded that it is reasonably possible that outcomes within the next financial year may be different from management's current assumptions and could require a material adjustment to the carrying amounts of contract assets and onerous contract provisions. However, as noted above, £106.3m of non-current contract fulfilment assets relates to major contracts with ongoing transformational activities, and £40.4m of non-current contract fulfilment assets and £42.5m of onerous contract provisions relate to the highest and medium rated risk category. Due to the level of uncertainty, combination of variables and timing across numerous contracts, it is not practical to provide a quantitative analysis of the aggregated judgements that are applied, and management do not believe that disclosing a potential range of outcomes on a consolidated basis would provide meaningful information to a user of the financial statements. Due to commercial sensitivities, the Group does not specifically disclose the amounts involved in any individual contract.

Certain major transformation contracts have key milestones during the next twelve months and an inability to meet these key milestones could lead to reduced profitability and a risk of impairment of the associated contract assets. These contracts include Royal Navy training and TfL Road User Charging.

Additional information, which does not form part of these consolidated financial statements, on the results and performance of the underlying divisions including the outlook on certain contracts is set out in the divisional performance review.

## Section 2: Results for the year continued

### 2.2 Revenue including segmental revenue

#### AP Accounting policies

##### Revenue

The Group generates revenue largely in the UK and Europe. The Group operates a diverse range of businesses and accordingly applies a variety of methods for revenue recognition, based on the principles set out in IFRS 15.

The revenue and profits recognised in any period are based on the delivery of performance obligations and an assessment of when control is transferred to the customer.

Revenue is recognised either when the performance obligation in the contract has been performed ('point-in-time' recognition) or 'over time' as control of the performance obligation is transferred to the customer.

For all contracts, the Group determines if the arrangement with a customer creates enforceable rights and obligations. This assessment results in certain Master Service Agreements (MSA) or Frameworks not meeting the definition of a contract under IFRS 15 and as such the individual call-off agreements, linked to the MSA, are treated as individual contracts.

The Group enters into contracts which contain extension periods, where either the customer or both parties can choose to extend the contract or there is an automatic annual renewal, and/or termination clauses that could impact the actual duration of the contract. Judgement is applied to assess the impact that these clauses have when determining the appropriate contract term. The term of the contract impacts both the period over which revenue from performance obligations may be recognised and the period over which contract fulfilment assets and capitalised costs to obtain a contract are expensed.

For contracts with multiple components to be delivered such as transformation, transitions and the delivery of outsourced services management applies judgement to consider whether those promised goods and services are:

- (i) distinct – to be accounted for as separate performance obligations
- (ii) not distinct – to be combined with other promised goods or services until a bundle is identified that is distinct, or
- (iii) part of a series of distinct goods and services that are substantially the same and have the same pattern of transfer to the customer

At a contract's inception the total transaction price is estimated, being the amount to which the Group expects to be entitled and has rights to under the contract. This includes an assessment of any variable consideration where the Group's performance may result in additional revenues based on the achievement of agreed KPIs. Such amounts are only included based on the expected value, or the most likely outcome method, and only to the extent that it is highly probable that no revenue reversal will occur.

The transaction price does not include estimates of consideration resulting from change orders for additional goods and services unless these are already agreed.

Once the total transaction price is determined, the Group allocates this to the identified performance obligations in proportion to their relative standalone selling prices and recognises revenue when (or while) those performance obligations are satisfied.

The Group infrequently sells standard products with observable standalone prices due to the specialised services required by customers; consequently the Group applies judgement to determine an appropriate standalone selling price. More frequently, the Group sells customers bespoke solutions, and in these cases the Group typically uses the expected cost-plus margin or a contractually stated price approach to estimate the standalone selling price of each performance obligation.

The Group may offer price step-downs during the life of a contract, but with no change to the underlying scope of services to be delivered. In general, any such variable consideration (price step-down or discount) is included in the total transaction price to be allocated across all performance obligations unless it relates to only one performance obligation in a contract.

For each performance obligation to be recognised over time, the Group applies a revenue recognition method that faithfully depicts the Group's performance in transferring control of the goods or services to the customer. This decision requires assessment of the real nature of the goods or services that the Group has promised to transfer to the customer. The Group applies the relevant output or input method consistently to similar performance obligations in other contracts.

When using the output method, the Group recognises revenue on the basis of direct measurements of the value to the customer of the goods and services transferred to date relative to the remaining goods and services under the contract. This is a faithful depiction of the transfer of services since the service delivered to the customer is unchanged. Where the output method is used, in particular for long-term service contracts where the series guidance is applied, the Group often uses a method of time elapsed which requires minimal estimation. Certain long-term contracts use output methods based upon estimations of user numbers, service activity levels, or fees collected.

When transfer of control is most closely aligned to Group efforts in delivering the service, the input method is used to measure progress and revenue is recognised in direct proportion to costs incurred. This is a faithful depiction of the transfer of services because costs for other inputs most accurately reflect the incremental benefits received by the customer from efforts to date.

If performance obligations in a contract do not meet the over time criteria, the Group recognises revenue at a point-in-time when the service or good is delivered.

##### Contract modifications

The Group's contracts are often amended for changes in contract specifications and requirements. Contract modifications exist when the amendment either creates new, or changes existing, enforceable rights and obligations. The effect of a contract modification on the transaction price and the Group's measure of progress for the performance obligation to which it relates is recognised at an adjustment to revenue, one of the following ways:

- a) prospectively as an additional, separate contract
- b) prospectively as a termination of the existing contract and creation of a new contract
- c) as part of the original contract, using a cumulative catch-up, or
- d) as an immediate modification.

In respect of contracts for which the Group has identified a series of distinct goods and services that are substantially the same and have the same pattern of transfer to the customer, recognised over time, the modification will also be treated in one of the above ways, depending on whether a contract has been terminated and a modification of the remaining performance obligation.

The facts and circumstances surrounding the modification are considered individually to determine the appropriate accounting treatment, which may vary from the contract modification catch-up or immediate modification.

## Section 2: Results for the year continued

### 2.2 Revenue including segmental revenue contribution

Judgement is applied in relation to the accounting for such modifications where the final terms or legal contracts have not been agreed prior to the period end because management needs to determine if a modification has been approved and if it either creates new, or changes existing, enforceable rights and obligations of the parties. Depending upon the outcome of such negotiations, the timing and amount of revenue recognised may be different in the relevant accounting periods. Modification and amendments to contracts are undertaken through an agreed formal process. For example, if a change in scope has been approved but the corresponding change in price is still being negotiated, management uses judgement to estimate the change in total transaction price. Importantly, any variable consideration is only recognised to the extent that it is highly probable that no revenue reversal will occur. For example, if pricing is subject to indexation based on an external metric (such as CPI or RPI) then the revenue related to the indexation will only be recognised once the relevant indexation is confirmed. Future indexation will not be recognised because it is not highly probable that a significant reversal of an indexation adjustment will not occur.

#### Principal versus agent

The Group has arrangements with some of its customers whereby it needs to determine if it acts as a principal or an agent because more than one party is involved in providing the goods and services to the customer. The Group is a principal if it controls a promised good or service before transferring that good or service to the customer. The Group is an agent if its role is to arrange for another entity to provide the goods or services. Factors considered in making this assessment are most notably: the discretion the Group has in establishing the price for the specified good or service, whether the Group has inventory risk, and whether or not the Group is primarily responsible for fulfilling the promise to deliver the service or good.

This assessment of control requires judgement particularly in relation to certain service contracts. An example is the provision of certain recruitment and learning services where the Group may be assessed to be agent or principal dependent upon the facts and circumstances of the arrangement and the nature of the services being delivered.

Where the Group is acting as a principal, revenue is recorded on a gross basis. Where the Group is acting as an agent, revenue is recorded on a net basis, recognising only the commission or fee earned as revenue.

#### Licences

Software licences delivered by the Group can either be right to access (active) or right to use (passive) licences, which determines the timing of revenue recognition. The assessment of whether a licence is active or passive involves judgement.

The key determinant of an active licence is whether or not the Group is required to undertake continuing activities that significantly affect the licensed intellectual property (or the customer has a reasonable expectation that it will do so) and the customer is, therefore, exposed to positive (or negative) impacts resulting from those changes. Where the Group is responsible for any maintenance, continuing support, updates and upgrades, and accordingly the sale of the initial software is not distinct. All other licences which have significant standalone functionality are treated as passive licences.

When software upgrades are sold as part of the software licence agreement (ie software upgrades are promised to the customer), the Group applies judgement to assess whether the software upgrades are distinct from the licence (ie a separate performance obligation). If the upgrades are considered fundamental to the ongoing use of the software by the customer, the upgrades are not considered distinct and not accounted for as a separate performance obligation.

For each contract that includes a separate licence performance obligation, the Group considers all the facts and circumstances in determining whether the licence revenue is recognised over time (active) or at a point-in-time (passive) from the go-live date of the licence.

#### Deferred and accrued income

The Group's customer contracts include a diverse range of payment schedules dependent upon the nature and type of goods and/or services being provided. This can include performance-based payments or progress payments as well as regular monthly or quarterly payments for ongoing service delivery. Payments for transactional goods and services may be at delivery date, in arrears or paid payment in advance. The long-term service contracts tend to have higher cash flows early in the contract to cover transformational activities.

Where payments received are greater than the revenue recognised up to the reporting date, the Group recognises a deferred income contract liability for this difference. Where payments received less than the revenue recognised up to the reporting date, the Group recognises an accrued contract income asset for this difference.

At each reporting date, the Group assesses whether there is any indication that accrued contract income assets may be impaired by considering whether or not any revenue reversal could occur. Where an indicator of impairment exists, the Group makes a formal estimate of the asset's recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

#### Contract types

The Group disaggregates revenue from contracts with customers by contract type, because management believe this best depicts how the nature, amount, timing, and uncertainty of the Group's revenue and cash flows are affected by economic factors. Categories are: long-term contractual – greater than two years, short-term contractual – less than two years, and transactional. The years being measured from the service commencement date.

##### Long-term contractual – greater than two years

The Group provides a range of services in the majority of its reportable segments under contract with a duration of more than two years. The nature of contracts or performance obligations within this revenue type includes:

- (i) long-term outsourced service arrangements in the public and private sectors, and
- (ii) active software licence arrangements.

The majority of long-term contractual agreements form part of a series of distinct goods and services because they are substantially the same service, and have the same pattern of transfer, since the series constitutes services provided in distinct time increments (eg daily, monthly, quarterly or annually), and therefore treats the series as one performance obligation.

##### Short-term contractual – less than two years

The nature of contracts or performance obligations within this revenue type includes:

- (i) short-term outsourced service arrangements in the public and private sectors, and
- (ii) software maintenance contracts.

## Section 2: Results for the year continued

### 2.2 Revenue including segmental revenue continued

The Group has assessed that maintenance and support (ie on-call support, remote support) for software licences is a performance obligation that can be considered capable of being distinct and separately identifiable in a contract if the customer has a passive licence. These recurring services are substantially the same because the nature of the promise is for the Group to 'stand ready' to perform maintenance and support when required by the customer. Each day of 'standing ready' is distinct from each subsequent day and is transferred in the same pattern to the customer.

#### Transactional (point-in-time) contracts

The Group delivers a range of goods or services in all reportable segments that are transactional services for which revenue is recognised at the point-in-time when control of the goods or services has transferred to the customer. This may be at the point of physical delivery of goods or services and acceptance by the customer or when the customer obtains control of an asset or service in a contract with customer-specified acceptance criteria.

The nature of contracts or performance obligations within this revenue type includes:

- (i) provision of IT hardware goods;
- (ii) passive software licence agreements;
- (iii) commission received as agent from the sale of third-party software; and
- (iv) fees received in relation to the delivery of professional services.

## Section 2: Results for the year continued

### 2.2 Revenue including segmental revenue continued

#### 2.2.1 Segmental revenue

The Group's operations are managed separately according to the nature of the services provided, with each segment representing a strategic business division offering a different package of client outcomes across the markets the Group serves. Capita plc is a reconciling item and not an operating segment. A description of the service provision for each segment can be found in the strategic report on pages 16 to 25.

The tables below present revenue for the Group's business segments as reported to the Chief Operating Decision Maker. The Group comprises two core trading divisions - Capita Public Service and Capita Experience - and a third division - Capita Portfolio - which comprises non-core businesses that the Group intends to exit in due course. Comparative information has been re-presented to reflect businesses exited during 2022.

Adjusted revenue, excluding results from businesses exited in both years (adjusting items), was £2,845.8m (2021: £2,777.8m), an increase of 2.4% (2021: increase 0.1%).

| Year ended<br>31 December 2022        | Notes | Capita<br>Public<br>Service<br>£m | Capita<br>Experience<br>£m | Capita<br>Portfolio<br>£m | Capita<br>plc<br>£m | Total<br>adjusted<br>£m | Adjusting<br>items<br>£m | Total<br>reported<br>£m |
|---------------------------------------|-------|-----------------------------------|----------------------------|---------------------------|---------------------|-------------------------|--------------------------|-------------------------|
| <b>Continuing operations</b>          |       |                                   |                            |                           |                     |                         |                          |                         |
| Long-term contractual                 |       | 1,157.3                           | 986.2                      | 33.1                      | —                   | 2,176.6                 | 59.6                     | 2,236.2                 |
| Short-term contractual                |       | 236.7                             | 150.0                      | 37.7                      | —                   | 424.4                   | 70.4                     | 494.8                   |
| Transactional (point-in-time)         |       | 51.3                              | 14.5                       | 179.0                     | —                   | 244.8                   | 38.8                     | 283.6                   |
| <b>Total segment revenue</b>          |       | <b>1,445.3</b>                    | <b>1,150.7</b>             | <b>249.8</b>              | <b>—</b>            | <b>2,845.8</b>          | <b>168.8</b>             | <b>3,014.6</b>          |
| Trading revenue                       |       | 1,487.5                           | 1,190.9                    | 334.2                     | —                   | 3,012.6                 | —                        | 3,012.6                 |
| Inter-segment revenue                 |       | (42.2)                            | (40.2)                     | (84.4)                    | —                   | (166.8)                 | —                        | (166.8)                 |
| <b>Total adjusted segment revenue</b> |       | <b>1,445.3</b>                    | <b>1,150.7</b>             | <b>249.8</b>              | <b>—</b>            | <b>2,845.8</b>          | <b>—</b>                 | <b>2,845.8</b>          |
| Business exits – trading              | 2.8   | —                                 | 33.3                       | 135.5                     | —                   | —                       | 168.8                    | 168.8                   |
| <b>Total segment revenue</b>          |       | <b>1,445.3</b>                    | <b>1,184.0</b>             | <b>385.3</b>              | <b>—</b>            | <b>2,845.8</b>          | <b>168.8</b>             | <b>3,014.6</b>          |

Year ended  
31 December 2021

|                                       |     |                |                |              |          |                |              |                |
|---------------------------------------|-----|----------------|----------------|--------------|----------|----------------|--------------|----------------|
| <b>Continuing operations</b>          |     |                |                |              |          |                |              |                |
| Long-term contractual                 |     | 1,115.3        | 982.2          | 38.5         | —        | 2,136.0        | 189.2        | 2,325.2        |
| Short-term contractual                |     | 211.1          | 152.7          | 42.9         | —        | 406.7          | 127.7        | 534.4          |
| Transactional (point-in-time)         |     | 84.0           | 6.0            | 145.1        | —        | 235.1          | 87.8         | 322.9          |
| <b>Total segment revenue</b>          |     | <b>1,410.4</b> | <b>1,140.9</b> | <b>226.5</b> | <b>—</b> | <b>2,777.8</b> | <b>404.7</b> | <b>3,182.5</b> |
| Trading revenue                       |     | 1,443.5        | 1,226.0        | 265.4        | —        | 2,935.8        | —            | 2,935.8        |
| Inter-segment revenue                 |     | (33.1)         | (85.0)         | (38.9)       | —        | (158.0)        | —            | (158.0)        |
| <b>Total adjusted segment revenue</b> |     | <b>1,410.4</b> | <b>1,140.9</b> | <b>226.5</b> | <b>—</b> | <b>2,777.8</b> | <b>—</b>     | <b>2,777.8</b> |
| Business exits – trading              | 2.8 | —              | 43.9           | 360.8        | —        | —              | 404.7        | 404.7          |
| <b>Total segment revenue</b>          |     | <b>1,410.4</b> | <b>1,184.8</b> | <b>587.3</b> | <b>—</b> | <b>2,777.8</b> | <b>404.7</b> | <b>3,182.5</b> |

1. The 2021 Capita Public Service revenue has been re-presented to reflect the re-structuring of certain point-in-time services into short-term contractual and long-term contractual services from 1 January 2021 and 1 January 2022.

#### Geographical location

The table below presents revenue by geographical location.

|         | 2022                    |             |             | 2021                    |             |             |
|---------|-------------------------|-------------|-------------|-------------------------|-------------|-------------|
|         | United<br>Kingdom<br>£m | Other<br>£m | Total<br>£m | United<br>Kingdom<br>£m | Other<br>£m | Total<br>£m |
| Revenue | 2,718.6                 | 296.0       | 3,014.6     | 2,882.4                 | 300.1       | 3,182.5     |

## Section 2: Results for the year continued

### 2.2 Revenue (including segmental revenue) continued

#### 2.2.2 Order book

The tables below show the order book for each division, categorised into long-term contractual (contracts with length greater than two years) and short-term contractual (contracts with length less than two years). The length of the contracts is calculated from the start of the service commencement date. The figures represent the aggregate amount of currently contracted transaction price allocated to the performance obligations that are unsatisfied or partially unsatisfied. Revenue expected to be recognised upon satisfaction of these performance obligations is as follows:

| Order book<br>31 December 2022 | Capita<br>Public<br>Service<br>£m | Capita<br>Experience<br>£m | Capita<br>Portfolio<br>£m | Capita<br>plc<br>£m | Total<br>£m    |
|--------------------------------|-----------------------------------|----------------------------|---------------------------|---------------------|----------------|
| Long-term contractual          | 2,916.7                           | 2,465.3                    | 201.9                     | —                   | 5,583.9        |
| Short-term contractual         | 68.3                              | 61.4                       | 91.6                      | —                   | 221.3          |
| <b>Total</b>                   | <b>2,985.0</b>                    | <b>2,526.7</b>             | <b>293.5</b>              | <b>—</b>            | <b>5,805.2</b> |

| Order book<br>31 December 2021 | Capita<br>Public<br>Service<br>£m | Capita<br>Experience<br>£m | Capita<br>Portfolio<br>£m | Capita<br>plc<br>£m | Total<br>£m    |
|--------------------------------|-----------------------------------|----------------------------|---------------------------|---------------------|----------------|
| Long-term contractual          | 3,172.8                           | 2,170.0                    | 417.1                     | —                   | 5,759.9        |
| Short-term contractual         | 113.5                             | 101.8                      | 140.2                     | —                   | 355.5          |
| <b>Total</b>                   | <b>3,286.3</b>                    | <b>2,271.8</b>             | <b>557.3</b>              | <b>—</b>            | <b>6,115.4</b> |

The table below shows the expected timing of revenue to be recognised on long-term contractual orders at 31 December 2022

| Time bands of expected revenue recognition<br>from long-term contractual orders | Capita<br>Public<br>Service<br>£m | Capita<br>Experience<br>£m | Capita<br>Portfolio<br>£m | Capita<br>plc<br>£m | Total<br>£m    |
|---------------------------------------------------------------------------------|-----------------------------------|----------------------------|---------------------------|---------------------|----------------|
| < 1 year                                                                        | 843.3                             | 708.3                      | 25.2                      | —                   | 1,576.8        |
| 1–5 years                                                                       | 1,417.0                           | 1,489.8                    | 62.6                      | —                   | 2,969.4        |
| > 5 years                                                                       | 656.4                             | 267.2                      | 114.1                     | —                   | 1,037.7        |
| <b>Total</b>                                                                    | <b>2,916.7</b>                    | <b>2,465.3</b>             | <b>201.9</b>              | <b>—</b>            | <b>5,583.9</b> |

Prior year comparative information is not presented for the expected timing of revenue recognition because it is a forward looking disclosure and therefore management does not believe that such disclosure provides meaningful information to a user of the consolidated financial statements.

The order book represents the consideration that the Group will be entitled to receive from customers when the Group satisfies its remaining performance obligations under the contracts. However, the total revenue that will be earned by the Group will also include non-contracted volumetric revenue, future indexation linked to an external metric, new wins, scope changes, and anticipated contract extensions. These elements have been excluded from the above tables because they are not contracted. Additionally, revenue from contract extensions is excluded from the order book unless they are pre-priced extensions whereby the Group has a legally binding obligation to deliver the performance obligations during the extension period. The total revenue related to pre-priced extensions included in the tables above amounted to £577.0m (2021: £568.0m). The amounts presented do not include orders for which neither party has performed, and each party has the unilateral right to terminate a wholly unperformed contract without compensating the other party.

Of the £5.6 billion (2021: £5.8 billion) revenue to be earned on long-term contracts, £4.2 billion (2021: £4.3 billion) relates to major contracts. This amount excludes revenue that will be derived from frameworks (transactional, point-in-time contracts), non-contracted volumetric revenues, non-contracted scope changes and future unbilled volume changes from these major contracts, which together are anticipated to contribute an additional £0.7 billion (2021: £2.3 billion) of revenue to the Group over the life of these contracts.

The Group performs various services for a number of UK Government ministerial departments and considers these individual ministerial departments to be separate customers due to the limited economic integration between each ministerial department. No single customer makes up more than 10% of the Group's revenues.

#### 2.2.3 Deferred income

The Group's deferred income balances solely relate to revenue from contracts with customers. Revenue recognised in the reporting period that was included in the deferred income balance at the beginning of the period was £631.4m (2021: £941.1m).

Movements in the deferred income balances were driven by transactions entered into by the Group with the normal course of business during the year (2021) other than the accelerated revenue recognised of £23.1m on early termination of contracts in Capita Experience and agreed reduction in scope on a contract in Capita Public Service.

## Section 2: Results for the year continued

### 2.3 Operating profit

#### 2.3.1 Items charged/(credited) to reported operating profit

|                                                                                          | Notes  | 2022<br>£m   | 2021<br>£m |
|------------------------------------------------------------------------------------------|--------|--------------|------------|
| Depreciation of property, plant and equipment                                            | 3.2    | <b>40.9</b>  | 48.6       |
| Depreciation of right-of-use assets                                                      | 3.5    | <b>56.0</b>  | 68.2       |
| Impairment of property, plant and equipment                                              | 3.2    | <b>4.7</b>   | 1.9        |
| (Reversal of impairment)/impairment of right-of-use assets                               | 3.5    | <b>(2.7)</b> | 13.3       |
| Amortisation of intangible assets                                                        | 3.3    | <b>41.5</b>  | 57.7       |
| Impairment of intangible assets                                                          | 3.3    | <b>5.9</b>   | 58.7       |
| Impairment of goodwill                                                                   | 3.4    | <b>169.0</b> | 16.1       |
| Impairment of disposal group assets held-for-sale                                        | 2.8    | —            | 44.1       |
| Loss on sale of property, plant and equipment and intangibles                            | 2.10.1 | <b>3.5</b>   | 0.7        |
| Foreign exchange differences                                                             |        | <b>6.9</b>   | (0.2)      |
| Contract fulfilment asset utilisation, impairment and derecognition                      | 3.1.3  | <b>85.7</b>  | 107.8      |
| Contract termination gains                                                               |        | —            | (4.7)      |
| The net of accelerated deferred income unwind, and contract fulfilment asset utilisation |        | —            | (7.5)      |
| Onerous contract provisions (net of additions and releases)                              |        | <b>1.7</b>   | 32.0       |

**Contract fulfilment asset utilisation, impairment and derecognition:** the Group continually monitors and reviews its major contracts to identify any indicators of impairment of contract fulfilment assets. During the year, management has recognised an impairment against costs capitalised as contract fulfilment assets totalling £3.8m (2021: £7.3m) in cost of sales.

**Contract termination gains:** customer contracts usually contain provisions to compensate the Group for exit costs and future profits in the event of early termination. There were no in-year customer contract terminations for customer convenience that led to associated exit fees being earned by Capita (2021: £4.7m in Capita Experience) and recorded as income during the year.

**The net of accelerated deferred income unwind and contract fulfilment asset utilisation:** during 2022 the Group recognised no gains or losses (2021: gain £7.5m) related to the net of accelerated deferred income unwinds and contract fulfilment asset utilisation. In 2021 the gains primarily related to a contract in Capita Experience where a contract was terminated earlier than planned and the agreed reduction in scope of a contract in Capita Public Service.

**Onerous contract provisions:** during 2022 the Group recognised a net loss of £1.7m related to onerous contract provisions (refer to note 3.6) in Capita Experience (2021: £32.0m loss related to contracts in Capita Experience).

#### 2.3.2 Fees payable to auditors

The amounts included in the table below relate to fees payable to KPMG LLP and its associates

|                                                                                   | 2022<br>£m | 2021<br>£m |
|-----------------------------------------------------------------------------------|------------|------------|
| <b>Audit and audit-related services</b>                                           |            |            |
| The audit of the Parent Company and the Group's consolidated financial statements | <b>5.1</b> | 5.1        |
| The audit of the financial statements of the Group's subsidiary companies         | <b>1.0</b> | 1.9        |
| <b>Total audit and audit-related services</b>                                     | <b>6.1</b> | 7.0        |
| <b>Non-audit services</b>                                                         |            |            |
| Other assurance services                                                          | <b>1.6</b> | 1.5        |
| <b>Total non-audit services</b>                                                   | <b>1.6</b> | 1.5        |
| <b>Total audit and non-audit services</b>                                         | <b>7.7</b> | 8.5        |

The non-audit fees in respect of 2022 related to the review of interim results, and services as reporting accountant for the disposal of Pay360 Limited. In respect of 2021, the non-audit fees related to the review of interim results, and services as reporting accountant for the disposal of AXELOS Limited.

#### 2.4 Adjusted operating profit and adjusted profit before tax

IAS 1 permits an entity to present additional information for specific items to enable users to better assess the entity's financial performance.

The comparatives have been re-presented on the same basis, with significant restructuring (£147.5m), certain litigation and claims (credit £2.3m) and contract related provisions and impairments (£43.1m) now included within acquired results for the year ended 31 December 2021.

The items below are excluded from the adjusted results

| The items below are excluded from the adjusted results |     |                         |               |                          |
|--------------------------------------------------------|-----|-------------------------|---------------|--------------------------|
|                                                        |     | Operating profit (loss) |               | Profit/(loss) before tax |
|                                                        |     | 2022<br>£m              | 2021<br>£m    | 2022<br>£m               |
| <b>Reported</b>                                        |     | <b>(79.6)</b>           | <b>(86.6)</b> | <b>61.4</b>              |
| Amortisation and impairment of acquired intangibles    | 3.3 | 5.1                     | 7.7           | 5.1                      |
| Impairment of goodwill                                 | 3.4 | 169.0                   | 11.5          | 169.0                    |
| Net finance (income) costs                             | 4.3 | —                       | —             | (3.4)                    |
| Business exits                                         | 2.8 | 8.4                     | (10.3)        | (158.3)                  |
| <b>Adjusted</b>                                        |     | <b>102.9</b>            | <b>(77.7)</b> | <b>73.8</b>              |

[illegible]

**Business exits:** the trading result of businesses exited or in the process of being exited and the gain or loss on disposals are excluded from the Group's adjusted results to enable comparability with the Group's adjusted results. Individual businesses within the Portfolio Division will be treated as held-for-sale and therefore a business exit when the disposal is highly probable and expected to complete within twelve months of the balance sheet date.

## Section 2: Results for the year continued

### 2.5 Segmental information

The Group's operations are managed separately according to the nature of the services provided, with each segment representing a strategic business division offering a different package of client outcomes across the markets the Group serves. Capita plc is a reconciling item and not an operating segment. A description of the services provided by each segment can be found in the strategic report on pages 16 to 25.

The tables below present profit for the Group's business segments. For segmental reporting, the costs of the central functions have been allocated to the segments using appropriate drivers such as adjusted revenue, adjusted profit or headcount. Comparative information has been re-presented to reflect businesses exited during 2022 and the change in definition of what the Board excludes from adjusted results (refer to note 2.4).

Information on segmental revenue can be found in note 2.2.

| Year ended<br>31 December 2022                                                         | Notes      | Capita<br>Public<br>Service<br>£m | Capita<br>Experience<br>£m | Capita<br>Portfolio<br>£m | Capita<br>plc<br>£m | Total<br>adjusted<br>£m | Adjusting<br>items<br>£m | Total<br>reported<br>£m |
|----------------------------------------------------------------------------------------|------------|-----------------------------------|----------------------------|---------------------------|---------------------|-------------------------|--------------------------|-------------------------|
| Adjusted operating profit                                                              | 2.4        | 91.5                              | 38.5                       | 16.2                      | (43.3)              | 102.9                   | —                        | 102.9                   |
| Business exits – trading                                                               | 2.8        | —                                 | 4.3                        | 10.4                      | —                   | —                       | 14.7                     | 14.7                    |
| <b>Total trading result</b>                                                            |            | <b>91.5</b>                       | <b>42.8</b>                | <b>26.6</b>               | <b>(43.3)</b>       | <b>102.9</b>            | <b>14.7</b>              | <b>117.6</b>            |
| Non-trading items:                                                                     |            |                                   |                            |                           |                     |                         |                          |                         |
| Business exits – non-trading                                                           | 2.8        | —                                 | —                          | —                         | —                   | —                       | (23.1)                   | (23.1)                  |
| Other adjusting items                                                                  | 2.4        | —                                 | —                          | —                         | —                   | —                       | (174.1)                  | (174.1)                 |
| <b>Operating profit/(loss)</b>                                                         |            |                                   |                            |                           |                     | <b>102.9</b>            | <b>(182.5)</b>           | <b>(79.6)</b>           |
| Interest income                                                                        |            |                                   |                            |                           |                     |                         |                          |                         |
|                                                                                        |            |                                   |                            |                           |                     |                         |                          | 8.9                     |
| Interest expense                                                                       |            |                                   |                            |                           |                     |                         |                          |                         |
|                                                                                        |            |                                   |                            |                           |                     |                         |                          | (40.6)                  |
| Share of results in associates and investment gains                                    |            |                                   |                            |                           |                     |                         |                          |                         |
|                                                                                        |            |                                   |                            |                           |                     |                         |                          | 5.8                     |
| Gain on business disposal                                                              |            |                                   |                            |                           |                     |                         |                          |                         |
|                                                                                        |            |                                   |                            |                           |                     |                         |                          | 166.9                   |
| <b>Profit before tax</b>                                                               |            |                                   |                            |                           |                     |                         |                          | <b>61.4</b>             |
| <b>Supplementary Information</b>                                                       |            |                                   |                            |                           |                     |                         |                          |                         |
| Depreciation and amortisation                                                          | 3.2        | 38.5                              | 67.2                       | 19.4                      | 3.3                 | 128.4                   | 10.0                     | 138.4                   |
| Impairment of property, plant and equipment, intangible assets and right-of-use assets | 3.3<br>3.5 | —                                 | 7.7                        | —                         | (0.2)               | 7.5                     | 0.4                      | 7.9                     |
| Contract fulfilment assets utilisation, impairment and derecognition                   | 3.1.3      | 67.2                              | 16.3                       | 0.8                       | —                   | 84.3                    | 1.4                      | 85.7                    |
| Onerous contract provisions                                                            | 2.3        | —                                 | 1.7                        | —                         | —                   | 1.7                     | —                        | 1.7                     |

## Section 2: Results for the year continued

## 2.5 Segmental information continue 1

| Year ended<br>31 December 2021                                                               | Notes      | Capita<br>Pensions<br>£m | Capita<br>Expenses<br>£m | Capita<br>Portfolios<br>£m | Capita<br>plc<br>£m | Total<br>adjusted<br>£m | Adjusted<br>items<br>£m | Total<br>carrying<br>£m |
|----------------------------------------------------------------------------------------------|------------|--------------------------|--------------------------|----------------------------|---------------------|-------------------------|-------------------------|-------------------------|
|                                                                                              |            | Re-baselined             |                          |                            |                     |                         |                         |                         |
| Adjusted operating profit                                                                    | 2.4        | 93.2                     | 8.9                      | (0.1)                      | (179.7)             | (77.7)                  | —                       | (77.7)                  |
| Business exits – trading                                                                     | 2.8        | —                        | 6.9                      | 72.4                       | —                   | —                       | 79.3                    | 79.3                    |
| Total trading result                                                                         |            | 93.2                     | 15.8                     | 72.3                       | (179.7)             | (77.7)                  | 79.3                    | 1.6                     |
| Non-trading items:                                                                           |            |                          |                          |                            |                     |                         |                         |                         |
| Business exits – non-trading                                                                 | 2.8        |                          |                          |                            |                     | —                       | (69.0)                  | (69.0)                  |
| Other adjusting items                                                                        | 2.4        |                          |                          |                            |                     | —                       | (19.2)                  | (19.2)                  |
| Operating loss                                                                               |            |                          |                          |                            |                     | (77.7)                  | (8.9)                   | (86.6)                  |
| Interest income                                                                              |            |                          |                          |                            |                     |                         |                         | 4.7                     |
| Interest expense                                                                             |            |                          |                          |                            |                     |                         |                         | (51.6)                  |
| Share of results in associates<br>and investment gains                                       |            |                          |                          |                            |                     |                         |                         | (0.6)                   |
| Gain on business disposal                                                                    |            |                          |                          |                            |                     |                         |                         | 419.7                   |
| Profit before tax                                                                            |            |                          |                          |                            |                     |                         |                         | 285.6                   |
| <b>Supplementary Information</b>                                                             |            |                          |                          |                            |                     |                         |                         |                         |
| Depreciation and amortisation                                                                | 3.2        | 42.2                     | 78.8                     | 21.8                       | 6.6                 | 149.4                   | 25.1                    | 174.5                   |
| Impairment of property, plant<br>and equipment, intangible<br>assets and right-of-use assets | 3.3<br>3.5 | 3.3                      | 5.5                      | 2.6                        | 59.9                | 71.3                    | 2.6                     | 73.9                    |
| Contract fulfilment assets<br>utilisation, impairment and<br>derecognition                   | 3.1.3      | 64.5                     | 21.8                     | 2.9                        | —                   | 88.3                    | 19.5                    | 107.8                   |
| Onerous contract provisions                                                                  | 2.3        | —                        | 32.0                     | —                          | —                   | 32.0                    | —                       | 32.0                    |

1. The table above only includes non-current assets held at 31 December 2021 and 2022.

**Geographical location**

The table below presents the carrying amount of non-current assets (excluding deferred tax, financial assets and employee benefits) by the geographical location of these assets.

|                    | 2022                    |             |             | 2021                    |             |             |
|--------------------|-------------------------|-------------|-------------|-------------------------|-------------|-------------|
|                    | United<br>Kingdom<br>£m | Other<br>£m | Total<br>£m | United<br>Kingdom<br>£m | Other<br>£m | Total<br>£m |
| Non-current assets | 1,320.9                 | 20.6        | 1,341.5     | 1,791.3                 | 27.7        | 1,819.0     |

## Section 2: Results for the year continued

### 2.6 Taxation

#### AP Accounting policies

Tax on the profit or loss for year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences except:

- where the deferred tax liability arises from the initial recognition of goodwill;
- where the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

#### Significant accounting judgements, estimates and assumptions

Deferred tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax assets and unused tax losses can be utilised, except where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss. This involves an assessment of when those assets are likely to reverse, and a judgement as to whether or not there will be sufficient taxable profits available to offset the assets when they do reverse. This requires assumptions regarding future profitability and is therefore inherently uncertain. To the extent assumptions regarding future profitability change, there may be an increase or decrease in the amounts recognised in respect of deferred tax assets as well as in the amounts recognised during the year in which the change occurs.

Sensitivities and additional information relating to deferred tax assets liabilities are provided in note 2.6.2.

#### 2.6.1 Income tax credit

There is a reported income tax credit for the period of £14.6m on reported profit before tax of £61.4m (2021: reported income tax charge of £61.5m on reported profit of £285.6m), and an adjusted income tax credit for the period of £31.8m on adjusted profit before tax of £73.8m (2021: adjusted tax charge of £4.0m on adjusted loss of £122.8m). The most significant reconciling items explaining the difference from the standard UK rate of 19%, are changes in the accounting estimate of recognised deferred tax assets, non-taxable profit on disposals and non-deductible goodwill impairment.

The forecast future adjusted effective tax rate, before and assuming no material changes to tax laws in the jurisdictions in which Capita operates, is expected to be broadly in line with the UK corporation tax rate, with an increase for taxable profits in higher tax rate jurisdictions. However, management anticipates that in the short term, the continued divestment programme may impact the future effective tax rate because the profits of divested businesses fall outside of the assessment of future taxable profits, impacting the recognisable deferred tax asset assessment.

The major components of income tax charge (credit) are set out below:

|                                                        | 2022                 |                                   |                                       | 2021                 |                                   |                                       |
|--------------------------------------------------------|----------------------|-----------------------------------|---------------------------------------|----------------------|-----------------------------------|---------------------------------------|
|                                                        | Total reported<br>£m | Included in adjusted profit<br>£m | Not included in adjusted profit<br>£m | Total reported<br>£m | Included in adjusted profit<br>£m | Not included in adjusted profit<br>£m |
| <b>Consolidated income statement</b>                   |                      |                                   |                                       |                      |                                   |                                       |
| <b>Current income tax</b>                              |                      |                                   |                                       |                      |                                   |                                       |
| Current income tax charge                              | 14.0                 | 12.6                              | 1.4                                   | 27.2                 | (14.5)                            | 41.7                                  |
| Adjustment in respect of prior years                   | (1.2)                | (1.2)                             | —                                     | 3.8                  | 3.8                               | —                                     |
| <b>Deferred tax</b>                                    |                      |                                   |                                       |                      |                                   |                                       |
| Originiation and reversal of temporary differences     | (36.7)               | (52.5)                            | 15.8                                  | 26.1                 | 60.3                              | 15.8                                  |
| Effect of changes in tax rate on deferred tax balances | 3.0                  | 3.0                               | —                                     | (39.0)               | (39.0)                            | —                                     |
| Adjustment in respect of prior years                   | 6.3                  | 6.3                               | —                                     | (6.6)                | (6.6)                             | —                                     |
| <b>Total</b>                                           | <b>(14.6)</b>        | <b>(31.8)</b>                     | <b>17.2</b>                           | <b>61.5</b>          | <b>4.0</b>                        | <b>57.5</b>                           |

## Section 2: Results for the year continued

### 2.6 Taxation continued

| Consolidated statement of comprehensive income and consolidated statement of changes in equity | 2022<br>£m   | 2021<br>£m  |
|------------------------------------------------------------------------------------------------|--------------|-------------|
| Current income tax movement on cash flow hedges                                                | —            | (2.0)       |
| Deferred tax movement on cash flow hedges                                                      | 1.6          | (0.2)       |
| Deferred tax movement in relation to actuarial changes on defined benefit pension schemes      | 5.2          | 32.2        |
| Current income tax movement on defined benefit pension scheme contributions                    | (7.2)        | (11.5)      |
| Effect of rate change on deferred tax on defined benefit pension schemes                       | —            | (2.6)       |
| Current income tax deduction on the exercise of share options                                  | —            | (0.4)       |
|                                                                                                | <b>(0.4)</b> | <b>15.5</b> |

The reconciliation between the total tax charge/(credit) and the accounting profit multiplied by the UK corporation tax rate is as follows

|                                                                                                                    | Total tax                    |             | Current tax   |             |
|--------------------------------------------------------------------------------------------------------------------|------------------------------|-------------|---------------|-------------|
|                                                                                                                    | 2022<br>£m                   | 2021<br>£m  | 2022<br>£m    | 2021<br>£m  |
| Profit before tax from continuing operations                                                                       | <b>61.4</b>                  | 285.6       | <b>61.4</b>   | 285.6       |
| Notional charge at UK corporation tax rate of 19 <sup>a</sup>                                                      | <b>11.7</b>                  | 54.3        | <b>11.7</b>   | 54.3        |
| Adjustments in respect of current income tax of prior years                                                        | a <b>(1.2)</b>               | 3.8         | <b>(1.2)</b>  | 3.8         |
| Adjustments in respect of deferred tax of prior years                                                              | b <b>6.3</b>                 | (6.6)       | —             | —           |
| Non-deductible expense (non-taxable income) – adjusted                                                             | c <b>(2.3)</b>               | 3.7         | <b>(2.3)</b>  | 3.7         |
| Non-deductible expenses – business exit                                                                            | d <sup>e</sup> <b>2.3</b>    | 1.5         | <b>2.3</b>    | 1.5         |
| Non-taxable income – specific items                                                                                | —                            | (1.1)       | —             | (1.1)       |
| Profit on disposal of business                                                                                     | e <sup>f</sup> <b>(31.6)</b> | (51.7)      | <b>(31.6)</b> | (51.7)      |
| Non-deductible goodwill impairment                                                                                 | f <sup>g</sup> <b>32.0</b>   | 11.4        | <b>32.0</b>   | 11.4        |
| Difference in rate recognition of temporary differences                                                            | <b>3.1</b>                   | (39.0)      | —             | —           |
| Tax provided on unremitted earnings                                                                                | g <b>1.3</b>                 | 1.1         | —             | 3.2         |
| Attributable to different tax rates in overseas jurisdictions                                                      | h <b>0.5</b>                 | (0.1)       | <b>0.5</b>    | (0.1)       |
| Movement in deferred tax unrecognised                                                                              | note 2.6.2 <b>(36.7)</b>     | 84.2        | —             | —           |
| Fixed asset timing differences                                                                                     | —                            | —           | <b>6.8</b>    | (2.0)       |
| Current tax impact on other timing differences                                                                     | —                            | —           | <b>(6.4)</b>  | 0.2         |
| Carry forward utilisation of losses in current period                                                              | i <b>—</b>                   | —           | <b>1.0</b>    | 7.8         |
| At the effective total tax rate of (23.8)% (2021: 21.5%) and the effective current tax rate of 20.8% (2021: 10.9%) | j <b>(14.6)</b>              | 61.5        | <b>12.8</b>   | 31.0        |
| <b>Tax (credit)/charge reported in the income statement</b>                                                        | <b>(14.6)</b>                | <b>61.5</b> | <b>12.8</b>   | <b>31.0</b> |

a. The rate of 19% is the rate applied to the effective total tax charge/(credit) for the year, which includes the impact of other profits, losses and losses.

b. Effect of the year-end adjustment to the UK rate of 19% on the effective total tax charge/(credit) for the year, which includes the impact of other profits, losses and losses.

c. Amount of non-deductible expense (non-taxable income) – adjusted, which includes the impact of other profits, losses and losses.

d. Amount of non-deductible expense (non-taxable income) – business exit, which includes the impact of other profits, losses and losses.

e. Amount of non-deductible expense (non-taxable income) – specific items, which includes the impact of other profits, losses and losses.

f. Amount of profit on disposal of business, which includes the impact of other profits, losses and losses.

g. Amount of tax provided on unremitted earnings, which includes the impact of other profits, losses and losses.

h. Amount of tax attributable to different tax rates in overseas jurisdictions, which includes the impact of other profits, losses and losses.

i. Amount of carry forward utilisation of losses in current period, which includes the impact of other profits, losses and losses.

j. The effective total tax rate of (23.8)% (2021: 21.5%) and the effective current tax rate of 20.8% (2021: 10.9%) are calculated as follows:  $\frac{\text{Tax (credit)/charge reported in the income statement}}{\text{Profit before tax from continuing operations}}$ .

## Section 2: Results for the year continued

### 2.5 Taxation continued

#### 2.6.2 Deferred tax

A change to the main UK corporation tax rate was substantively enacted on 24 May 2021. The rate applicable from 1 April 2023 increases from 19% to 25%. The net UK deferred tax assets for the period to 31 December 2022, and the prior period, have been calculated based on this rate.

Deferred tax relates to the following

|                                           | At<br>1 January /<br>£m | Income<br>statement<br>£m | Credited/(charged) to                 |                                       | At<br>31 December<br>£m |
|-------------------------------------------|-------------------------|---------------------------|---------------------------------------|---------------------------------------|-------------------------|
|                                           |                         |                           | OCI and<br>changes in<br>equity<br>£m | Other<br>movements <sup>2</sup><br>£m |                         |
| <b>Deferred tax assets</b>                |                         |                           |                                       |                                       |                         |
| Fixed assets which qualify for tax relief | 77.3                    | 12.2                      | —                                     | 1.3                                   | 90.8                    |
| Deferred income                           | (0.1)                   | 1.2                       | —                                     | (1.1)                                 | —                       |
| Provisions and other timing differences   | 14.7                    | (3.7)                     | (1.6)                                 | 1.1                                   | 10.5                    |
| Pension schemes                           | 19.8                    | (8.7)                     | (5.2)                                 | —                                     | 5.9                     |
| Share-based payments                      | 3.8                     | (0.4)                     | —                                     | (2.1)                                 | 1.3                     |
| Tax losses                                | 63.3                    | 27.2                      | —                                     | (9.1)                                 | 81.4                    |
|                                           | 178.8                   | 27.8                      | (6.8)                                 | (9.9)                                 | 189.9                   |
| Jurisdictional netting                    | (2.8)                   | —                         | —                                     | —                                     | (0.4)                   |
| Net deferred tax assets                   | 176.0                   | 27.8                      | (6.8)                                 | (9.9)                                 | 189.5                   |
| <b>Deferred tax liabilities</b>           |                         |                           |                                       |                                       |                         |
| Acquired intangibles                      | (0.7)                   | 0.5                       | —                                     | —                                     | (0.2)                   |
| Contract fulfilment assets                | (4.4)                   | 0.4                       | —                                     | 1.8                                   | (2.2)                   |
| Unremitted earnings                       | (3.6)                   | (1.3)                     | —                                     | —                                     | (4.9)                   |
|                                           | (8.7)                   | (0.4)                     | —                                     | 1.8                                   | (7.3)                   |
| Jurisdictional netting                    | 2.8                     | —                         | —                                     | —                                     | 0.4                     |
| Net deferred tax liabilities              | (5.9)                   | (0.4)                     | —                                     | 1.8                                   | (6.9)                   |
| <b>Net deferred tax</b>                   | 170.1                   | 27.4                      | (6.8)                                 | (8.1)                                 | 182.6                   |

1. Mainly foreign assets, provisions and other timing differences and pension schemes.  
2. Other movements include disposals of subsidiaries.

The main movements in the net deferred tax asset are due to the income statement tax credit arising on the change in the accounting estimate of deferred tax, the deferred tax charge to other comprehensive income (OCI) and income statement on the defined benefit pension scheme surplus recognised for accounting purposes, and the deferred tax assets disposed of on the sale of subsidiaries.

For the purpose of recognising deferred tax on the pension scheme surplus, withholding tax at 35% would apply for any surplus being refunded to the Group at the end of the life of the scheme. Corporation tax at 25% would apply for any surplus expected to unwind over the life of the scheme. Management have concluded that the corporation tax rate should apply to the recognition of deferred tax on the pension scheme surplus, reflecting the Group's intention regarding the manner of recovery of the asset.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the assets can be utilised. The recoverability of deferred tax assets is supported by the deferred tax liabilities against which the reversal can be offset and the expected level of future profits in the countries concerned.

The recognition of deferred tax assets for 2022 has been based on the forecast accounting profits in the 2023-2025 business plans (BP) approved by the Board. This is the same plan used to derive forecast cash flows for the goodwill impairment test (per note 3.4). A long-term growth rate of 2.2% as used for impairment test purposes, has been applied to years beyond 2025. A reducing probability factor has also been applied to future profits for the potential decrease in reliability of forecasts extrapolated for later years, such that profits beyond seven years of the balance sheet date have not been considered probable for the purpose of assessing deferred tax asset recognition.

Historic tax losses make up the majority of the deferred tax asset. These losses mainly arose due to the adoption of IFRS 15, Covid-19 related downward pressures on the profits and tax deductible restructuring costs in previous years. Based on the above adjusted forecasts, management have concluded that an additional deferred tax asset should be recognised this year. The impact of this is an adjustment to recognise additional deferred tax assets of £36.7m. This is net of £16.7m change in the deferred tax asset estimate due to the reduction in future taxable profits on disposal of taxable subsidiaries, reflected in the tax arising on business exits (see note 2.8).

Deferred tax asset recognition is reliant on the accuracy of management's forecasts and the assumptions that underlie them. Management have considered the severe but plausible downsides, applied to the base-case projections, to gauge sensitivity and identify a reasonable possible alternative result. This scenario identified a further potential reduction in recognised deferred tax assets of approximately £17m. Further disposals, planned as part of the simplification agenda, could also reduce the recognised deferred tax asset in future periods, which management currently estimate at approximately £31m.

The Group has unrecognised tax losses and other temporary differences that are available for offset against future taxable profits of the companies in which the losses and other temporary differences arose, but have not been recognised because their recoverability is uncertain. The table below shows the amounts set off between UK and non-UK jurisdictions.

## Section 2: Results for the year continued

### 2.5 Taxation continued

|                                    | 2022<br>£m<br>Gross<br>Amount | 2021<br>£m<br>Gross<br>Amount |
|------------------------------------|-------------------------------|-------------------------------|
| At 31 December                     |                               |                               |
| <b>UK:</b>                         |                               |                               |
| Tax losses                         | 332.7                         | 498.0                         |
| Other temporary timing differences | 113.9                         | 99.7                          |
|                                    | <b>446.6</b>                  | <b>597.7</b>                  |
| <b>Non-UK:</b>                     |                               |                               |
| Tax losses                         | 60.8                          | 44.9                          |
| Other temporary timing differences | 11.6                          | 14.8                          |
|                                    | <b>72.4</b>                   | <b>59.7</b>                   |
| <b>Total</b>                       | <b>519.0</b>                  | <b>657.4</b>                  |

Assets have no time expiry, but some losses are subject to specific loss restriction rules. £39.9m (2021: £50.7m) of the losses were incurred by companies acquired by the Group and are not a result of the Group's trading performance.

Dividends received from subsidiaries are largely exempt from UK tax but may be subject to dividend withholding taxes levied by the overseas tax jurisdictions in which the subsidiaries operate. The gross temporary differences of those subsidiaries affected by such potential taxes is £58.4m (2021: £42.8m). A deferred income tax liability of £4.9m (2021: £3.6m) has been recognised on the unremitted earnings of those subsidiaries affected by such potential taxes because the Group is able to control the timing of reversal and it is anticipating dividends to be distributed. The earnings remitted during the year have resulted in a reduction in the closing deferred tax liability.

#### 2.6.3 Uncertain tax positions

The Group files income tax returns in several jurisdictions and some of those returns are open to, or subject to, tax authority audits or examinations. Tax returns contain matters that could be subject to differing interpretations of applicable tax laws and regulations and the resolution of tax positions, through negotiations with relevant tax authorities or through litigation, can take several years. Tax uncertainties are assessed throughout the year and specifically at the year-end with any associated provisions recognised considering the specific circumstances of each risk, including the merits of technical aspects, previous experience with tax authorities, recent tax law and, if relevant, external specialist advice. The Group applies judgement in quantifying uncertainties over income tax treatments in accordance with this criteria.

Income tax receivable of £9.9m at 31 December 2022 is net of a £2.9m (2021: £4.1m) liability in relation to uncertain tax positions. The Group released £1.2m (2021: £1.7m) of uncertain tax positions during 2022 relating to tax risks which are no longer considered likely to arise, due to the relevant entity being put into liquidation. The release is disclosed as a current income tax prior year adjustment.

Expiry of statute of limitations, or conclusion of tax audits could result in a further release of the provision in the next financial year. While it is difficult to predict the ultimate outcome in some cases, and there are a range of different outcomes, the Group does not currently anticipate that there will be any material impact on the Group's financial position or results of operations during the next financial year.

#### 2.6.4 Global minimum tax

In December 2021, the OECD released the Pillar II global minimum tax draft legislative framework, which ultimately seeks to introduce a global minimum corporate tax rate of 15%. Following consultation the UK Government has proposed that Pillar II will first apply to accounting periods beginning on or after 31 December 2023, but at the time of signing these financial statements no tax jurisdiction Capita operates in had enacted or substantively enacted laws to implement the Pillar II framework.

As disclosed in our Responsible Taxation report, which can be found in the Responsible Business area of the Capita website, Capita has minimal profits arising in jurisdictions with a low tax rate. A high level impact assessment of a potential top-up tax, chargeable in respect of profits in jurisdictions which have an effective tax rate lower than 15%, suggests that Capita may be subject to some top-up tax due to a trading legal entity in the Isle of Man which has a statutory corporate tax rate lower than 15%. There has been a lack of Pillar II legislative progress globally, with the UK only having draft legislation currently available. As such, Capita is unable to determine the impact of the framework with any degree of certainty.

Capita is committed to paying its fair share of tax in all jurisdictions. As a conscientious taxpayer, Capita will continue to monitor the legislative progress in all the jurisdictions it operates in.

#### 2.6.5 Capita's responsible approach to taxation

Capita has an open and positive working relationship with HMRC, has a designated customer compliance manager, and is committed to prompt disclosure and transparency in all dealings with HMRC and overseas tax authorities. The Group does not have a complex tax structure nor does it pursue aggressive tax avoidance activities. The Group has a low-risk rating from HMRC (re-assessed in 2021) and has been awarded the Fair Tax Mark for its tax disclosures from 2018 to 2021. The Group has operations in a number of countries outside the UK. All Capita operations outside the UK are trading operations and pay the appropriate local taxes on these activities. Further detail regarding Capita's tax strategy can be found in the Policies & Principles area of the Capita website (<https://www.capita.com/our-company/about-capita/policies-and-principles>).

Capita contributed £153.7m (2021: £162.9m) in taxes from its UK operations during 2022. This comprised of a net repayment of £2.6m (2021 net repayment of £0.5m), of UK corporation tax, £15.0m (2021: £18.1m) incurred in recoverable VAT, £124.8m (2021: £125.9m) in employer national insurance contributions (NIC), and £16.0m (2021: £19.3m) in other levies, including business rates and landfill taxes. The apprenticeship levy and environmental taxes. Additionally, the Group's 2022 UK VAT payments were £313.1m (2021: £312.7m). A further £14.9m VAT was remitted in 2022, which was VAT deferred from 2020 under HMRC's Covid-19 deferral scheme. The Group also collected £272.8m (2021: £287.8m) of Corporation Tax and £1.0m (2021: £0.9m) PAYE and NIC. Capita owes overseas taxes of £3.5m (2021: £1.0m) in respect of corporate tax, which is included in deferred tax in the tax liability table.

## Section 2: Results for the year continued

### 2.7 Earnings/(loss) per share



#### Accounting policies

Basic earnings/(loss) per share are calculated by dividing net profit for the period attributable to ordinary equity holders of the Parent Company by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings (loss) per share are calculated by dividing the net profit for the period attributable to ordinary equity holders of the Parent Company by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

|                                   |                         | 2022                    |                    | 2021                    |                    |
|-----------------------------------|-------------------------|-------------------------|--------------------|-------------------------|--------------------|
|                                   |                         | Continuing operations p | Total operations p | Continuing operations p | Total operations p |
| Basic earnings (loss) per share   | – reported              | 4.47                    | 4.47               | 13.33                   | 13.52              |
|                                   | – adjusted <sup>1</sup> | 6.20                    | 6.20               | (7.74)                  | (7.74)             |
| Diluted earnings/(loss) per share | – reported              | 4.40                    | 4.40               | 13.15                   | 13.33              |
|                                   | – adjusted <sup>1</sup> | 6.09                    | 6.09               | (7.74)                  | (7.74)             |

1. 2021 adjusted results per share below. Please refer to note 2.4.5 for further details.

The following tables show the earnings and share data used in the basic and diluted earnings (loss) per share calculations

|                                                                  |       | 2022                     |                     | 2021                     |                     |
|------------------------------------------------------------------|-------|--------------------------|---------------------|--------------------------|---------------------|
|                                                                  |       | Continuing operations £m | Total operations £m | Continuing operations £m | Total operations £m |
| Reported profit before tax for the period                        |       | 61.4                     | 61.4                | 285.6                    | 288.7               |
| Income tax credit (charge)                                       | 2.6   | 14.6                     | 14.6                | (61.5)                   | (61.5)              |
| Reported profit for the period                                   |       | 76.0                     | 76.0                | 224.1                    | 227.2               |
| Less: Non-controlling interest                                   |       | (1.2)                    | (1.2)               | (2.5)                    | (2.5)               |
| Total profit attributable to shareholders                        |       | 74.8                     | 74.8                | 221.6                    | 224.7               |
| Adjusted profit (loss) before tax for the period                 |       | 73.8                     | 73.8                | (122.8)                  | (122.8)             |
| Income tax credit (charge)                                       | 2.6.1 | 31.8                     | 31.8                | (4.0)                    | (4.0)               |
| Adjusted profit (loss) for the period <sup>1</sup>               |       | 105.6                    | 105.6               | (126.8)                  | (126.8)             |
| Less: Non-controlling interest                                   |       | (2.0)                    | (2.0)               | (1.9)                    | (1.9)               |
| Adjusted profit (loss) attributable to shareholders <sup>1</sup> |       | 103.6                    | 103.6               | (128.7)                  | (128.7)             |

1. 2021 adjusted results per share below. Please refer to note 2.4.5 for further details.

|                                                                                                                      | 2022<br>m | 2021<br>m |
|----------------------------------------------------------------------------------------------------------------------|-----------|-----------|
| Weighted average number of ordinary shares (excluding trust and treasury shares) for basic earnings per share        | 1,671.7   | 1,661.9   |
| Dilutive potential ordinary shares                                                                                   |           |           |
| Employee share options                                                                                               | 30.0      | 23.9      |
| Weighted average number of ordinary shares (excluding trust and treasury shares) adjusted for the effect of dilution | 1,701.7   | 1,685.8   |

The earnings per share figures are calculated based on earnings attributable to ordinary equity holders of the Parent Company and therefore exclude non-controlling interest. The earnings per share is calculated on a total reported and an adjusted basis. The earnings per share for business exits and specific items are reconciling items between total reported and adjusted earnings per share.

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date on which these consolidated financial statements were authorised for issue.

## Section 2: Results for the year continued

### 2.8 Business exits and assets held-for sale

#### AP Accounting policies

##### Business exits

Business exits are businesses that have been sold, exited during the period, or are in the process of being sold or exited in accordance with the Group's strategy. None of these business exits meet the definition of 'discontinued operations' as stipulated by IFRS 5, which requires comparative financial information to be restated where the relative size of a disposal or business closure is significant, which is normally understood to mean a reported segment.

However, the trading result of these businesses, non-trading expenses, and any gain/loss on disposal, have been excluded from adjusted results. To enable a like-for-like comparison of adjusted results, the 2021 comparatives have been re-presented to exclude the businesses classified as business exits during 2022.

##### Assets held-for-sale

The Group classifies a non-current asset (or disposal group) as held-for-sale if its carrying amount will be recovered principally through a sale transaction rather than continued use. For this to be the case, the asset (or disposal group) must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets (or disposal groups) and its sale must be highly probable. For the sale to be highly probable, the appropriate level of management must be committed to a plan to sell the asset (or disposal group) and an active programme to locate a buyer and complete the plan must have been initiated. Further, the asset (or disposal group) must be actively marketed for sale at a price that is reasonable in relation to its current fair value, and, the sale should be expected to be completed within one year from the date of classification.

Based on the above requirements, individual businesses within the Portfolio Division will only reach the criteria to be treated as held-for-sale when their disposal is seen to be highly probable, and expected to complete within the following twelve months. At 31 December 2022 no disposals were deemed to have met this threshold. At 31 December 2021, the disposals of three businesses (AMT Syhex software, Secure Solutions and Services (SSS) and Speciality Insurance) were deemed to have met this threshold.

##### 2022 business exits

Business exits at 31 December 2022 primarily comprised:

| Business                                   | Disposal completed on |
|--------------------------------------------|-----------------------|
| AMT Syhex                                  | 1 January 2022        |
| Secure Solutions and Services              | 3 January 2022        |
| Trustmarque                                | 31 March 2022         |
| Speciality Insurance                       | 29 April 2022         |
| Real estate and infrastructure consultancy | 22 September 2022     |
| Optima Legal Services                      | 30 November 2022      |
| Pay360                                     | 1 December 2022       |
| Capita Translation and Interpreting        | 29 December 2022      |

Further disposals are planned as part of the simplification agenda. Since these disposals did not meet the definition of business exits or assets held-for-sale at 31 December 2022, their trading results were included within adjusted results. However, exit costs related to those disposals, which include professional fees, salary costs and separation planning costs, are included within business exit non-trading administrative expenses.

| Income statement impact   | 2022          |                   |             | 2021          |                   |             |
|---------------------------|---------------|-------------------|-------------|---------------|-------------------|-------------|
|                           | Trading<br>£m | Non-trading<br>£m | Total<br>£m | Trading<br>£m | Non-trading<br>£m | Total<br>£m |
| Revenue                   | 168.8         | —                 | 168.8       | 104.7         | —                 | 104.7       |
| Cost of sales             | (135.3)       | —                 | (135.3)     | (269.0)       | —                 | (269.0)     |
| Gross profit              | 33.5          | —                 | 33.5        | 135.7         | —                 | 135.7       |
| Administrative expenses   | (18.8)        | (23.1)            | (41.9)      | (56.4)        | (69.0)            | (125.4)     |
| Operating profit/(loss)   | 14.7          | (23.1)            | (8.4)       | 79.3          | (69.0)            | 10.3        |
| Net finance costs         | (0.2)         | —                 | (0.2)       | (0.7)         | (0.3)             | (1.0)       |
| Gain on business disposal | —             | 166.9             | 166.9       | —             | 419.7             | 419.7       |
| Profit before tax         | 14.5          | 143.8             | 158.3       | 78.6          | 350.4             | 429.0       |
| Taxation                  | (2.8)         | (14.7)            | (17.5)      | (16.1)        | (43.0)            | (59.1)      |
| Profit after tax          | 11.7          | 129.1             | 140.8       | 62.5          | 307.4             | 369.9       |

Trading revenue and costs represent the current period trading performance of the above businesses up to the point of being disposed or exited, and in the comparative those businesses disposed of during 2021 (BSS Life Insurance and Penions Servicing business in Ireland, and the AXELO5 joint venture with the UK Government). Trading expenses primarily comprise exit costs of £96.9m (2021: £217.8m) and information technology costs of £23.2m (2021: £66.2m).

Included within non-trading administrative expenses is £91.0m (2021: £23.1m) representing the effect of business exit costs on accounting with the underlying profit/(loss) excluded from the Group's adjusted results and hence being re-assessed. Business exits between they relate to disposals and exits during 2022. Other non-trading administrative expenses include disposal costs of £14.7m (2021: £53.1m) representing staff and redundancy costs of £13.2m (2021: £17.7m) and other non-trading costs of £1.5m (2021: £2.3m).

## Section 2: Results for the year continued

### 2.2 Business exits and assets held for sale continued

#### 2.2.1 Disposals

During 2022 the Group disposed of eight businesses: AMT Sybex, Secure Solutions and Services, Trustmarque, Speciality Insurance, Real estate and infrastructure consultancy, Optima Legal Services, Pay360 and Capita Translation and Interpreting. During 2021 the Group disposed of three businesses: ESS, Life Insurance and Pensions Servicing business in Ireland and AXELOS.

| The assets and liabilities disposed of and the related gain on disposal are as follows: | 2022<br>£m    | 2021<br>£m    |
|-----------------------------------------------------------------------------------------|---------------|---------------|
| Property, plant and equipment                                                           | 0.2           | 0.2           |
| Intangible assets                                                                       | 20.4          | 20.0          |
| Goodwill                                                                                | 178.3         | 65.7          |
| Right-of-use assets                                                                     | 0.2           | —             |
| Income tax recoverable and deferred tax assets                                          | 7.6           | —             |
| Contract fulfilment assets                                                              | 2.8           | 0.1           |
| Trade and other receivables                                                             | 136.6         | 2.6           |
| Cash and cash equivalents                                                               | 55.9          | 8.2           |
| Disposal group assets held-for-sale                                                     | 143.0         | 120.2         |
| Trade and other payables                                                                | (127.0)       | (6.7)         |
| Deferred income                                                                         | (38.6)        | (2.9)         |
| Lease liabilities                                                                       | (0.3)         | —             |
| Deferred consideration payable                                                          | —             | (22.8)        |
| Loans payable <sup>1</sup>                                                              | —             | (26.0)        |
| Capita group loan balances                                                              | (102.3)       | (27.2)        |
| Income tax payable and deferred tax liabilities                                         | (0.7)         | (4.3)         |
| Provisions                                                                              | (0.4)         | —             |
| Disposal group liabilities held-for-sale                                                | (135.4)       | (57.5)        |
| <b>Net identifiable assets sold</b>                                                     | <b>140.3</b>  | <b>69.6</b>   |
| Non-controlling interests                                                               | (0.3)         | (3.4)         |
|                                                                                         | <b>140.0</b>  | <b>66.2</b>   |
| Sales price                                                                             |               |               |
| received in cash                                                                        | 330.0         | 508.6         |
| deferred receivable                                                                     | 10.5          | —             |
| Less disposal costs                                                                     | (33.3)        | (25.5)        |
| <b>Net sales price</b>                                                                  | <b>307.2</b>  | <b>483.1</b>  |
| Realisation of cumulative currency translation difference                               | (0.3)         | 2.8           |
| <b>Gain on business disposals</b>                                                       | <b>166.9</b>  | <b>419.7</b>  |
| <b>Net cash inflow</b>                                                                  |               |               |
| Proceeds received                                                                       | 330.0         | 508.6         |
| Less disposal costs                                                                     |               |               |
| income statement charge                                                                 | (33.3)        | (25.5)        |
| change in accrued disposal costs during the year                                        | 9.9           | —             |
| Settlement of receivables due from disposed subsidiaries                                |               |               |
| disposal of subsidiaries in the period                                                  | 102.3         | 27.2          |
| disposal of subsidiaries classified as held-for-sale                                    | 54.5          | —             |
| <b>Total proceeds received net of disposal costs paid</b>                               | <b>463.4</b>  | <b>510.3</b>  |
| <b>Total cash held by subsidiaries when sold</b>                                        |               |               |
| Cash held by subsidiaries when sold                                                     | (55.9)        | (8.2)         |
| Cash held by subsidiaries classified as held-for-sale                                   | (19.6)        | (17.7)        |
| <b>Total cash held by subsidiaries when sold</b>                                        | <b>(75.5)</b> | <b>(25.9)</b> |
| <b>Net cash inflow</b>                                                                  | <b>387.9</b>  | <b>484.1</b>  |

<sup>1</sup> The £1.1m of loans payable relates to the acquisition of the business of the former subsidiary, Capita Translation and Interpreting, which was acquired in 2021. The loans payable were repaid in 2022.

Disposal costs of £7.1m relating to businesses disposed of in the year have been recognised in prior years and are excluded from the above gain on business disposals.

## Section 2: Results for the year continued

### 2.8 Business exits and assets held for sale continued

As part of the disposal of Trustmarque to One Equity Partners in March 2022, Capita entered into a five year agreement committing to procure a sufficient amount of the Group's IT and technology requirements through Trustmarque as a reseller of such services to enable Trustmarque to realise a specified level of gross profits over the period of that agreement. The price paid for these purchases will be equivalent to that paid by other customers of Trustmarque, and the Group expects to have sufficient demand to meet the commitment. It is currently estimated that the total expenditure with Trustmarque under this agreement over the five year period will be approximately £300m of which less than 25% is expected to be capital in nature.

During 2022, management identified that the net assets of a business held-for-sale at 31 December 2021 and used to assess for impairment were incorrectly determined when comparing to the expected net disposal proceeds. This resulted in an overstatement of a goodwill impairment charge recognised within business exits (£19.0m) and consequently an understatement of assets held-for-sale at 31 December 2021. This error did not impact the adjusted results of the Group.

Management has considered IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors and concluded that the impact of this error is not deemed material since it would not influence the economic decisions of primary users of the consolidated financial statements, not least because the business has been disposed of in the current period, and therefore the correction of the impairment has been recognised in the current period within the gain on business disposal.

#### 2.8.2 Disposal group assets and liabilities held-for-sale

Disposal group assets and liabilities held-for-sale at 31 December 2021 comprised the AMT Sybex, Secure Solutions and Services and Speciality Insurance businesses, whose disposals were completed during the first half of 2022. At 31 December 2022, no disposals were deemed to have met the threshold to be treated as held-for-sale.

|                                                 | 2022<br>£m | 2021<br>£m   |
|-------------------------------------------------|------------|--------------|
| Property, plant and equipment                   | —          | 0.4          |
| Intangible assets                               | —          | 14.4         |
| Goodwill                                        | —          | 44.2         |
| Contract fulfilment assets                      | —          | 32.6         |
| Trade and other receivables                     | —          | 10.7         |
| Accrued income                                  | —          | 5.1          |
| Prepayments                                     | —          | 5.2          |
| Cash and cash equivalents                       | —          | 15.8         |
| Income tax receivable and deferred tax assets   | —          | 10.4         |
| <b>Disposal group assets held-for-sale</b>      | <b>—</b>   | <b>138.8</b> |
| Trade and other payables                        | —          | 1.6          |
| Other taxes and social security                 | —          | 1.6          |
| Accruals                                        | —          | 3.4          |
| Deferred income                                 | —          | 69.8         |
| Income tax payable and deferred tax liabilities | —          | 2.3          |
| Provisions                                      | —          | 2.4          |
| <b>Disposal group liabilities held-for-sale</b> | <b>—</b>   | <b>81.1</b>  |

#### Business exit cash flows

Businesses exited and being exited had a cash generated from operations inflow of £9.9m (2021: cash inflow of £43.1m).

Capita completed the disposal of its Asset Services businesses, including Capita Financial Managers Limited (CFM), to the Link Group on 3 November 2017. The disposal met the definition of a discontinued operation as stipulated by IFRS 5.

In 2021 the income of £3.1m related to a reduction in provisions following reassessments of the likely future costs to be incurred by the Group. No further material movements in provisions related to the disposal of the Asset Services business are anticipated.

The earnings per share impact from discontinued operations is nil p (2021: 0.19p) on basic earnings per share and nil p (2021: 0.16p) on diluted earnings per share.

## Section 2: Results for the year continued

### 2.10 Cash flow information



#### Accounting policies

Cash and short-term deposits in the balance sheet comprise cash at bank and in-hand and short-term deposits with an original maturity of three months or less. In the consolidated cash flow statement, cash and cash equivalents consist of cash and short-term deposits net of outstanding bank overdrafts and include cash and overdrafts within disposal group assets and liabilities held-for-sale. Cash at bank earns interest at fixed and floating rates based on prevailing bank deposit rates.

#### 2.10.1 Additional cash flow information

|                                                                           |          | 2022           | 2022                              | 2021           | 2021                              |
|---------------------------------------------------------------------------|----------|----------------|-----------------------------------|----------------|-----------------------------------|
|                                                                           | Notes    | Reported<br>£m | Before<br>business<br>exits<br>£m | Reported<br>£m | Before<br>business<br>exits<br>£m |
| <b>Cash flows from operating activities:</b>                              |          |                |                                   |                |                                   |
| Reported operating loss                                                   | 2.4      | (79.6)         | (79.6)                            | (86.6)         | (86.6)                            |
| Less: business exit operating loss (profit)                               | 2.8      | —              | 8.4                               | —              | (10.3)                            |
| <b>Total operating loss</b>                                               |          | <b>(79.6)</b>  | <b>(71.2)</b>                     | <b>(86.6)</b>  | <b>(96.9)</b>                     |
| <b>Adjustments for non-cash items:</b>                                    |          |                |                                   |                |                                   |
| Depreciation                                                              | 3.2, 3.5 | 96.9           | 96.7                              | 117.1          | 115.7                             |
| Amortisation of intangible assets                                         | 3.3      | 41.5           | 36.8                              | 57.7           | 41.4                              |
| Share-based payment expense                                               | 5.1      | 5.4            | 5.4                               | 1.2            | 1.2                               |
| Employee benefits                                                         | 5.2      | 9.0            | 9.0                               | 8.9            | 8.9                               |
| Loss on sale of property, plant and equipment and intangible assets       | 2.3      | 3.5            | 3.5                               | 0.7            | 0.7                               |
| Amendments and early terminations of leases                               |          | (4.7)          | (4.7)                             | —              | —                                 |
| Impairment of disposal group assets                                       |          | —              | —                                 | 44.1           | —                                 |
| Impairment of non-current assets                                          |          | 176.9          | 176.5                             | 90.0           | 82.8                              |
| <b>Other adjustments:</b>                                                 |          |                |                                   |                |                                   |
| Movement in provisions                                                    |          | (42.1)         | (47.9)                            | 21.9           | 36.2                              |
| Pension deficit contributions                                             |          | (38.6)         | (30.0)                            | (155.5)        | (133.6)                           |
| Other contributions into pension schemes                                  |          | (10.0)         | (10.0)                            | (3.4)          | (8.4)                             |
| <b>Movements in working capital:</b>                                      |          |                |                                   |                |                                   |
| Trade and other receivables                                               |          | (41.0)         | 18.6                              | (5.2)          | (10.0)                            |
| Non-recourse trade receivables financing                                  |          | 28.0           | 28.0                              | (5.7)          | (5.7)                             |
| Trade and other payables                                                  |          | 84.8           | 25.9                              | 17.0           | 20.6                              |
| VAT deferral                                                              |          | (14.9)         | (14.9)                            | (104.1)        | (104.1)                           |
| Deferred income                                                           |          | (116.0)        | (124.2)                           | (116.9)        | (62.9)                            |
| Contract fulfilment assets (non-current)                                  |          | 18.7           | 19.0                              | (24.7)         | (55.6)                            |
| <b>Cash generated from/(used by) operations</b>                           |          | <b>117.8</b>   | <b>116.5</b>                      | <b>(148.5)</b> | <b>(109.7)</b>                    |
| <b>Adjustments for free cash flows:</b>                                   |          |                |                                   |                |                                   |
| Income tax paid                                                           |          | (7.9)          | (6.5)                             | (17.7)         | (17.7)                            |
| Net interest paid                                                         |          | (38.0)         | (37.4)                            | (40.1)         | (40.0)                            |
| <b>Net cash inflows/(outflow) from operating activities</b>               |          | <b>71.9</b>    | <b>72.6</b>                       | <b>(206.3)</b> | <b>(167.4)</b>                    |
| Purchase of property, plant and equipment                                 | 3.2      | (20.6)         | (16.8)                            | (25.6)         | (18.7)                            |
| Purchase of intangible assets                                             | 3.3      | (27.3)         | (27.3)                            | (32.5)         | (32.5)                            |
| Proceeds from sale of property, plant and equipment and intangible assets |          | 0.5            | 0.5                               | 0.1            | —                                 |
| <b>Free cash flow<sup>1</sup></b>                                         |          | <b>24.5</b>    | <b>29.0</b>                       | <b>(264.3)</b> | <b>(218.6)</b>                    |

1. Depletion of the investment in the non-recourse trade receivables portfolio is reflected in:

a. The 'Net cash inflows/(outflow) from operating activities' arising from non-recourse trade receivables financing when a bank overdraft is used to finance the purchase of the portfolio, and  
b. The 'Net cash inflows/(outflow) from operating activities' arising from non-recourse trade receivables financing when a bank overdraft is used to finance the purchase of the portfolio, and

## Section 2: Results for the year continued

### 2.10 Cash flow information continued

#### 2.10.2 Free cash flow and cash generated from operations (alternative performance measures - refer to section 8.2)

From 1 January 2022, the Board considers free cash flow and cash generated from operations before business exits to be alternative performance measures because these metrics provide a more representative measure of the sustainable cash flow of the Group.

These measures are analysed below

|                                                      | Free cash flow |                | Cash generated/(used) by operations |                |
|------------------------------------------------------|----------------|----------------|-------------------------------------|----------------|
|                                                      | 2022<br>£m     | 2021<br>£m     | 2022<br>£m                          | 2021<br>£m     |
| <b>Reported</b>                                      | <b>24.5</b>    | <b>(264.3)</b> | <b>117.8</b>                        | <b>(148.5)</b> |
| Business exits                                       | (4.1)          | (36.2)         | (9.9)                               | (43.1)         |
| Pension deficit contributions triggered by disposals | 8.6            | 81.9           | 8.6                                 | 81.9           |
| <b>Before business exits</b>                         | <b>29.0</b>    | <b>(218.6)</b> | <b>116.5</b>                        | <b>(109.7)</b> |

A reconciliation of net cash flow to movement in net debt is included in note 2.10.3.

**Business exits:** the cash flows of businesses exited, or in the process of being exited, and the proceeds from disposals, are disclosed outside the adjusted results. The 31 December 2021 results have been re-presented for those businesses exited, or in the process of being exited, during the period from 1 January 2022 to 31 December 2022 to enable comparability of the adjusted results.

**Pension deficit contributions triggered by disposals:** the Trustee of the Capita Pension and Life Assurance Scheme (the Scheme) has agreed with the Group to accelerate the payment of future agreed deficit contributions on a pound for pound basis in the event of disposal proceeds being used to fund mandatory prepayments of debt. During the year, the disposal of the Trustmarque business led to accelerated deficit contributions of £5.9m being paid into the Scheme (plus up to a further £14.5m in accelerated contributions will be required to be paid by 31 March 2024). In addition, an accelerated deficit contribution of £2.7m was paid into the Scheme during the year as a result of the disposal of the Axelos business in 2021 (2021: Pension deficit contributions of £81.9m triggered by the disposal of the ESS business which led to accelerated deficit contributions of £50.2m; and the disposal of the Parking Eye business in 2018, where actual settlement of accelerated deficit contributions of £31.7m was deferred until 2021).

#### 2.10.3 Reconciliation of net cash flow to movement in net debt

Overdrafts comprise the aggregate value of overdrawn bank account balances within the Group's national interest pooling arrangements. These aggregate overdrawn amounts are fully offset by surplus balances within the same arrangements.

At 31 December 2022, the Group's £288.4m committed revolving credit facility was undrawn (31 December 2021: £40.0m drawn).

|                                                        |             | Net debt at<br>1 January<br>£m | Cash flow<br>movements<br>£m | Non-cash<br>movement <sup>1</sup><br>£m | Net debt at<br>31 December<br>£m |
|--------------------------------------------------------|-------------|--------------------------------|------------------------------|-----------------------------------------|----------------------------------|
| <b>Year ended 31 December 2022</b>                     | £m          |                                |                              |                                         |                                  |
| Cash, cash equivalents and overdrafts                  | 45.4        | 101.5                          | 75.3                         | 0.4                                     | 177.2                            |
| Other loan notes                                       | 4.5         | (1.3)                          | 0.6                          | —                                       | (0.7)                            |
| Credit facilities                                      | —           | (46.0)                         | 46.0                         | —                                       | —                                |
| Private placement loan notes <sup>2</sup>              | 4.5         | (512.9)                        | 242.0                        | (14.6)                                  | (285.5)                          |
| Cross-currency interest rate swaps <sup>3</sup>        | 4.5         | 28.0                           | (10.1)                       | 6.9                                     | 24.8                             |
| Lease liabilities                                      | 4.4         | (448.4)                        | 84.4                         | (33.5)                                  | (397.5)                          |
| <b>Total net liabilities from financing activities</b> |             | <b>(980.6)</b>                 | <b>362.9</b>                 | <b>(41.2)</b>                           | <b>(658.9)</b>                   |
| Deferred consideration                                 | 4.5         | (0.7)                          | —                            | —                                       | (0.7)                            |
| <b>Net debt</b>                                        | <b>41.1</b> | <b>(879.8)</b>                 | <b>438.2</b>                 | <b>(40.8)</b>                           | <b>(482.4)</b>                   |

1. The cash flow movements include the impact of the disposal of the Trustmarque business, which was completed during the year. The cash flow movements also include the impact of the disposal of the Axelos business, which was completed during the year.

2. Private placement loan notes include the impact of the disposal of the Trustmarque business, which was completed during the year. The cash flow movements also include the impact of the disposal of the Axelos business, which was completed during the year.

|                                                        |             | Net debt at<br>1 January<br>£m | Cash flow<br>movements<br>£m | Non-cash<br>movement <sup>1</sup><br>£m | Net debt at<br>31 December<br>£m |
|--------------------------------------------------------|-------------|--------------------------------|------------------------------|-----------------------------------------|----------------------------------|
| <b>Year ended 31 December 2021</b>                     | £m          |                                |                              |                                         |                                  |
| Cash, cash equivalents and overdrafts                  | 45.4        | 141.1                          | (43.8)                       | 4.0                                     | 101.5                            |
| Other loan notes                                       | 4.5         | (2.3)                          | 1.0                          | —                                       | (1.3)                            |
| Credit facilities                                      | —           | —                              | (46.0)                       | —                                       | (46.0)                           |
| Private placement loan notes                           | 4.5         | (512.9)                        | 234.2                        | 18.0                                    | (312.9)                          |
| Cross-currency interest rate swaps                     | 4.5         | 57.5                           | (19.7)                       | (9.8)                                   | 28.0                             |
| Interest rate swaps                                    | 4.5         | 0.5                            | —                            | (0.5)                                   | —                                |
| Lease liabilities                                      | 4.4         | (518.1)                        | 116.2                        | (46.5)                                  | (446.4)                          |
| <b>Total net liabilities from financing activities</b> |             | <b>(1,017.5)</b>               | <b>275.7</b>                 | <b>(38.8)</b>                           | <b>(780.6)</b>                   |
| Deferred consideration                                 | 4.5         | (0.7)                          | —                            | —                                       | (0.7)                            |
| <b>Net debt</b>                                        | <b>41.1</b> | <b>(877.4)</b>                 | <b>275.7</b>                 | <b>(34.8)</b>                           | <b>(879.8)</b>                   |

1. The cash flow movements include the impact of the disposal of the Trustmarque business, which was completed during the year. The cash flow movements also include the impact of the disposal of the Axelos business, which was completed during the year.

## Section 3: Operating assets and liabilities

This section shows the operating assets and liabilities used to generate the Group's trading performance. Liabilities relating to the Group's financing activities are contained in Section 4. Current tax and deferred tax assets and liabilities are shown in note 2.6. Deferred income is shown in note 2.1.

In this section you will find disclosures about:

- 3.1 Working capital
  - 3.1.1 Trade and other receivables
  - 3.1.2 Trade and other payables
  - 3.1.3 Contract fulfilment assets
- 3.2 Property, plant and equipment
- 3.3 Intangible assets
- 3.4 Goodwill
- 3.5 Right-of-use assets
- 3.6 Provisions



Denotes accounting policies



Denotes significant accounting judgements, estimates and assumptions

|                                                   | Note  | 2022<br>£m     | 2021<br>£m | Year on Year<br>movement<br>£m |
|---------------------------------------------------|-------|----------------|------------|--------------------------------|
| <b>Working capital (current and non-current):</b> | 3.1   | <b>(439.1)</b> | (502.8)    | 63.7                           |
| Trade and other receivables                       | 3.1.1 | <b>446.2</b>   | 562.8      | (116.6)                        |
| Trade and other payables                          | 3.1.2 | <b>(507.6)</b> | (557.6)    | 50.0                           |
| Deferred income                                   | 2.1   | <b>(640.7)</b> | (794.7)    | 154.0                          |
| Contract fulfilment assets                        | 3.1.3 | <b>263.0</b>   | 286.7      | (23.7)                         |
| <b>Property, plant and equipment</b>              | 3.2   | <b>101.1</b>   | 129.0      | (27.9)                         |
| <b>Intangible assets</b>                          | 3.3   | <b>106.0</b>   | 147.3      | (41.3)                         |
| <b>Goodwill</b>                                   | 3.4   | <b>605.9</b>   | 951.7      | (345.8)                        |
| <b>Right-of-use assets</b>                        | 3.5   | <b>249.5</b>   | 287.9      | (38.4)                         |
| <b>Provisions</b>                                 | 3.6   | <b>(127.3)</b> | (140.6)    | 13.3                           |

The decrease in trade and other receivables is primarily driven by a reduction in trade receivables (£32.1m), prepayments (£19.4m) and current contract fulfilment assets (£13.0m). The reduction in trade and other receivables is largely a result of the disposal of businesses during the year (£75.2m), alongside a drive in cash collection towards the end of the year. This was offset by an increase in accrued income (£6.9m).

The Group uses non-recourse invoice discounting facilities, with £44.4m of outstanding invoices sold under these facilities at 31 December 2022 (2021: £16.4m).

The decrease in trade and other payables was primarily a result of the disposal of businesses during the year (£54.8m) and repayment of VAT under the Government's VAT deferral scheme (£14.9m). This was offset by an increase in other payables (£6.3m).

The decrease in deferred income was a result of the normal reduction in deferred income balances, partially offset by increases from advances, receipts and higher activity levels on contracts such as Royal Navy training.

Contract fulfilment assets decreased as a result of additions of £67.1m predominantly in Capita Public Service (£44.2m) on contracts including TfL Networks and Royal Navy training being offset by a utilisation of £81.6m primarily within Capita Public Service (£67.8m), as well as impairments of £3.8m primarily in Capita Experience.

Property, plant and equipment decreased due to depreciation of £40.7m being partially offset by £20.6m of additions.

Intangible assets decreased due to amortisation of £31.7m being partially offset by £27.3m of additions relating primarily to investment in capitalised software.

Goodwill decreased primarily as a result of the businesses sold in the year (£178.3m) and impairment of certain cash generating units in the Capita Portfolio division (£169.0m).

The decrease in provisions of £13.3m during the year was predominantly due to new provisions totalling £66.2m, with the largest increases being additional customer contract provisions (£20.6m) and business exit provisions (£26.0m). Being offset by releases and utilisations totalling £97.3m.

## Section 3: Operating assets and liabilities continued

### 3.1 Working capital

#### 3.1.1 Trade and other receivables

##### AP Accounting policies

**Trade receivables:** Trade receivables are initially recognised at cost (being the same as fair value) and subsequently at a amortised cost less any provision for impairment, to ensure the amounts recognised represent their recoverable amount.

**Impairment:** For trade receivables, the Group applies the simplified approach permitted by IFRS 9, resulting in trade receivables recognised and carried at original invoice amount less an allowance for any uncollectible amounts based on expected credit losses. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

The Group monitors the level of trade receivables on a monthly basis, continually assessing the risk of default by any counterparty. Each customer has an external credit score which determines the level of credit provided.

**Derecognition:** A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised (ie removed from the Group's consolidated balance sheet) when (i) the rights to receive the cash flows from the asset have expired, or, (ii) the Group has transferred its right to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement, and either (a) the Group has transferred substantially all the risk and rewards of the asset, or, (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Trade receivables that are sold without recourse are derecognised at the point of sale when the risks and rewards of the receivables have been fully transferred.

**Accrued income:** Accrued income in relation to contract assets is recognised when payments received from customers are less than the revenue recognised by the reporting date.

|                                                 | Current    |            | Non-current |            |
|-------------------------------------------------|------------|------------|-------------|------------|
|                                                 | 2022<br>£m | 2021<br>£m | 2022<br>£m  | 2021<br>£m |
| Trade receivables                               | 149.9      | 232.0      | —           | —          |
| Other receivables <sup>1</sup>                  | 32.6       | 43.4       | 5.8         | 4.0        |
| Current contract fulfilment assets <sup>2</sup> | 10.7       | 23.7       | —           | —          |
| Accrued income                                  | 179.1      | 169.5      | —           | 2.7        |
| Prepayments                                     | 58.1       | 78.5       | 10.0        | 9.0        |
|                                                 | 430.4      | 547.1      | 15.8        | 15.7       |

1. Other receivables include trade receivables of acquired entities and other receivables from other parties.

2. Reported within contract assets in the consolidated balance sheet.

Trade receivables are non-interest bearing and are generally on 30-day terms.

The Group's accrued income balances solely relate to revenue from contracts with customers. Movements in the accrued income balances were driven by transactions entered into by the Group in the normal course of business during the year.

Movements in the loss allowance made against receivables were as follows:

|                                                   | 2022<br>£m | 2021<br>£m |
|---------------------------------------------------|------------|------------|
| At 1 January                                      | 19.4       | 11.3       |
| Utilised                                          | (4.0)      | (6.7)      |
| Provided in the year                              | 15.3       | 15.2       |
| Business disposal                                 | (1.0)      | —          |
| Transfer to disposal group (assets held-for-sale) | —          | (0.4)      |
| At 31 December                                    | 29.7       | 19.4       |

## Section 3: Operating assets and liabilities continued

### 3.1 Working capital continued

There are no customers who represent more than 10% of the total balance of trade receivables.

| Ageing of trade receivables           | 2022<br>£m | 2021<br>£m |
|---------------------------------------|------------|------------|
| Not due                               | 118.5      | 203.3      |
| Overdue by less than three months     | 26.9       | 29.8       |
| Overdue between three and six months  | 6.3        | 6.6        |
| Overdue between six and twelve months | 9.9        | 11.4       |
| Overdue more than twelve months       | 18.0       | 0.3        |
| Allowance for doubtful debts          | (29.7)     | (19.4)     |
|                                       | 149.9      | 232.0      |

#### Non-recourse trade receivables facilities

The value of the outstanding invoices sold under non-recourse trade receivable facilities was £44.4m at 31 December 2022 (2021: £16.4m). The cost of selling such invoices totalling £0.8m (2021: £0.6m) was included in administrative expenses in the consolidated income statement.

### 3.1.2 Trade and other payables

|                                 | Current    |            | Non-current |            |
|---------------------------------|------------|------------|-------------|------------|
|                                 | 2022<br>£m | 2021<br>£m | 2022<br>£m  | 2021<br>£m |
| Trade payables                  | 134.9      | 153.7      | 0.1         | —          |
| Other payables                  | 32.8       | 26.7       | 6.5         | 6.3        |
| Other taxes and social security | 85.6       | 122.9      | 6.0         | 5.0        |
| Accruals                        | 239.2      | 238.9      | 2.5         | 4.1        |
|                                 | 492.5      | 542.2      | 15.1        | 15.4       |

Trade payables are non-interest bearing and are settled on terms agreed with the suppliers.

The Group aims to pay its suppliers on time in accordance with agreed terms.

## Section 3: Operating assets and liabilities continued

### 3.1 Working capital continued

#### 3.1.3 Contract fulfilment assets

##### Accounting policies

The Group regularly incurs costs to deliver its outsourcing services in a more efficient way (often referred to as 'transformation' costs). These costs may include process mapping and design, system development, project management, hardware (generally within the scope of the Group's accounting policy for property, plant and equipment), software licence costs (generally within the scope of the Group's accounting policy for intangible assets), recruitment costs and training.

Contract fulfilment costs are divided into: (i) costs that give rise to an asset, and (ii) costs that are expensed as incurred.

When determining the appropriate accounting treatment for such costs, the Group firstly considers any other applicable standards. If those other standards preclude capitalisation of a particular cost, then an asset is not recognised under IFRS 15.

If other standards are not applicable to contract fulfilment costs, the Group applies the following criteria which, if met, result in capitalisation of costs that: (i) directly relate to a contract or to a specifically identifiable anticipated contract; (ii) generate or enhance resources that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and (iii) are expected to be recovered.

The Group has determined that, where the relevant specific criteria are met, the costs for: (i) process mapping and design; (ii) system development; and (iii) project management, are likely to qualify to be capitalised as contract fulfilment assets.

The incremental costs of obtaining a contract with a customer are recognised as a contract fulfilment asset if the Group expects to recover them. The Group incurs costs such as bid costs, legal fees to draft a contract and sales commissions when it enters into a new contract.

The Group has determined that the following costs may be capitalised as contract fulfilment assets: (i) legal fees to draft a contract after the Group has been selected as preferred supplier; and (ii) sales commissions directly related to winning a specific contract.

Costs incurred prior to selection as preferred supplier are not capitalised but expensed as incurred.

**Utilisation:** The utilisation charge is included within cost of sales. The Group utilises contract fulfilment assets over the expected contract period on a systematic basis that mirrors the pattern in which the Group transfers control of the service to the customer.

**Derecognition:** A contract fulfilment asset is derecognised either when it is disposed of or when no further economic benefits are expected to flow from its use or disposal.

**Impairment:** At each reporting date, the Group determines whether or not the contract fulfilment assets are impaired by comparing the carrying amount of the asset with the remaining amount of consideration that the Group expects to receive less the costs that relate to providing services under the relevant contract. In determining the estimated amount of consideration, the Group uses the same principles as it does to determine the contract transaction price, except that any constraints used to reduce the transaction price are removed for the impairment test.

##### Significant accounting judgements, estimates and assumptions

Judgement is applied by the Group when determining what costs qualify to be capitalised in particular when considering whether these costs are incremental and when considering if costs generate or enhance resources to be used to satisfy future performance obligations and whether costs are expected to be recoverable. For example, the Group considers which type of sales commissions are incremental to the cost of obtaining specific contracts and the point in time when the costs will be capitalised. See note 2.1 for further information.

Movements in non-current contract fulfilment assets were as follows:

|                                                                 | 2022<br>£m | 2021<br>£m |
|-----------------------------------------------------------------|------------|------------|
| At 1 January                                                    | 286.7      | 294.8      |
| Impact of change in accounting standards – amendments to IAS 37 | (2.4)      | —          |
| At 1 January 2022 on adoption of IAS 37                         | 284.3      | 294.8      |
| Additions                                                       | 67.1       | 132.2      |
| Transfer to assets held-for-sale                                | —          | (32.6)     |
| Disposal of business                                            | (2.8)      | (7.1)      |
| Impairment                                                      | (3.8)      | (7.3)      |
| Derecognition                                                   | (0.4)      | (16.6)     |
| Utilised during the year                                        | (81.5)     | (83.9)     |
| Exchange movement                                               | 0.1        | 0.2        |
| At 31 December                                                  | 263.0      | 286.7      |

At 31 December 2022, the carrying amount of contract fulfilment assets is £263.0m (2021: £286.7m). The carrying amount of contract fulfilment assets is included in 'Other non-current assets' on the consolidated balance sheet.

**Impairment:** In 2022, the Group recognised an impairment of £4.8m (2021: £7.3m) in respect of contract fulfilment assets which 2021 total relates to contract fulfilment assets included during the year.

**Derecognition:** In 2022, six (2021: 17) of the assets were derecognised in relation to a contract in Capita Experiences where the scope of the service changed, the termination of the contract and the Group had no further use for the asset. In 2021, the derecognition primarily related to a contract in Capita Public Services where the client opted to procure the original and also all inputs in Capita Experiences and the scope of the service was changed. Further termination of contracts and the Group no longer had use for the asset.

## Section 3: Operating assets and liabilities continued

### 3.2 Property, plant and equipment

#### AP Accounting policies

Property, plant and equipment is stated at cost less accumulated depreciation and any impairment in value.

**Depreciation:** Depreciation is disclosed as an administrative expense in the consolidated income statement, and is calculated on a straight-line basis over the estimated useful life of the asset, as follows:

- Freehold buildings and long leasehold property – up to 50 years.
- Leasehold improvements – period of the lease.
- Plant and machinery – 3 to 10 years.

**Impairment:** The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount. The recoverable amount of property, plant and equipment is the greater of net selling price and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses are disclosed as administrative expenses in the consolidated income statement.

**Derecognition:** An item of property, plant and equipment is derecognised on disposal or when no future economic benefits are expected to arise from the continued use of the asset (retired). Any gain or loss arising on derecognition of the asset, calculated as the difference between the net disposal proceeds and the carrying value of the asset, is included in the consolidated income statement when the asset is derecognised.

|                                                                 | 2022                                             |                           |             |                          |                           |             |
|-----------------------------------------------------------------|--------------------------------------------------|---------------------------|-------------|--------------------------|---------------------------|-------------|
|                                                                 | Leasehold improvements, land and buildings<br>£m | Plant and machinery<br>£m | Total<br>£m | Freehold buildings<br>£m | Leasehold buildings<br>£m | Total<br>£m |
| <b>Cost</b>                                                     |                                                  |                           |             |                          |                           |             |
| At 1 January                                                    | 99.6                                             | 169.1                     | 268.7       | 103.3                    | 193.2                     | 296.5       |
| Additions                                                       | 7.7                                              | 12.9                      | 20.6        | 8.1                      | 17.5                      | 25.6        |
| Disposal of business                                            | —                                                | (0.4)                     | (0.4)       | —                        | (0.8)                     | (0.8)       |
| Disposals – included in adjusted profit                         | (9.1)                                            | (7.4)                     | (16.5)      | (2.3)                    | (10.0)                    | (12.3)      |
| Disposals – included in business exits                          | —                                                | —                         | —           | (0.1)                    | (0.4)                     | (0.5)       |
| Transfer to assets held-for-sale                                | —                                                | —                         | —           | (0.1)                    | (0.6)                     | (0.7)       |
| Reclassifications                                               | 1.3                                              | (1.8)                     | (0.5)       | —                        | (1.9)                     | (1.9)       |
| Asset retirements                                               | (3.7)                                            | (27.9)                    | (31.6)      | (8.9)                    | (25.8)                    | (34.7)      |
| Exchange movement                                               | 0.2                                              | 2.0                       | 2.2         | (0.4)                    | (2.1)                     | (2.5)       |
| At 31 December                                                  | 96.0                                             | 146.5                     | 242.5       | 99.6                     | 169.1                     | 268.7       |
| <b>Depreciation and impairment</b>                              |                                                  |                           |             |                          |                           |             |
| At 1 January                                                    | 40.5                                             | 99.2                      | 139.7       | 41.6                     | 97.7                      | 139.3       |
| Impact of change in accounting standards – amendments to IAS 37 | —                                                | 0.5                       | 0.5         | —                        | —                         | —           |
| At 1 January 2022 on adoption of IAS 37                         | 40.5                                             | 99.7                      | 140.2       | 41.6                     | 97.7                      | 139.3       |
| Depreciation charged in the year - included in adjusted profit  | 10.1                                             | 30.6                      | 40.7        | 9.3                      | 38.2                      | 47.5        |
| Depreciation charged in the year - included in business exits   | —                                                | 0.2                       | 0.2         | 0.1                      | 1.0                       | 1.1         |
| Disposal of business                                            | —                                                | (0.2)                     | (0.2)       | —                        | (0.6)                     | (0.6)       |
| Disposals – included in adjusted profit                         | (7.3)                                            | (6.9)                     | (14.2)      | (2.0)                    | (9.7)                     | (11.7)      |
| Disposals – included in business exits                          | —                                                | —                         | —           | (0.1)                    | (0.5)                     | (0.6)       |
| Impairment – included in adjusted profit                        | 2.0                                              | 2.7                       | 4.7         | 0.6                      | 1.3                       | 1.9         |
| Transfer to assets held-for-sale                                | —                                                | —                         | —           | (0.1)                    | (0.2)                     | (0.3)       |
| Reclassifications                                               | 0.8                                              | (0.8)                     | —           | —                        | (0.4)                     | (0.4)       |
| Asset retirements                                               | (3.7)                                            | (27.9)                    | (31.6)      | (8.9)                    | (25.8)                    | (34.7)      |
| Exchange movement                                               | 0.1                                              | 1.5                       | 1.6         | —                        | (1.8)                     | (1.8)       |
| At 31 December                                                  | 42.5                                             | 98.9                      | 141.4       | 40.5                     | 99.2                      | 139.7       |
| <b>Net book value</b>                                           |                                                  |                           |             |                          |                           |             |
| At 1 January                                                    | 59.1                                             | 69.9                      | 129.0       | 61.7                     | 95.5                      | 157.2       |
| At 31 December                                                  | 53.5                                             | 47.6                      | 101.1       | 59.1                     | 69.9                      | 129.0       |

Freehold buildings are depreciated over 50 years, leasehold buildings are depreciated over the term of the lease, and plant and machinery are depreciated over 3 to 10 years.

## Section 3: Operating assets and liabilities continued

### 3.2 Property, plant and equipment continued

At 31 December 2022, amounts contracted for but not provided in the financial statements for the acquisition of property, plant and equipment amounted to £2.7m (2021: £3.6m), relating to building improvements on leased property.

During the prior year the Group exited a number of properties and their related leasehold improvement assets were disposed of for no consideration. Since these exits were part of the Group wide transformation, the related charge was excluded from adjusted profit. Following the change in presentation of adjusted results (refer to note 2.4) the related charge has been re-presented and included within adjusted profit.

### 3.2 Intangible assets

#### AP Accounting policies

Intangible assets acquired separately are capitalised at cost and those identified in a business acquisition are capitalised at fair value at the date of acquisition. In the case of capitalised software development costs, research expenditure is written off to the consolidated income statement in the period in which it is incurred. Development expenditure is similarly written off until the Group is satisfied as to the technical, commercial and financial viability of individual projects. Where this condition is satisfied, the development expenditure is capitalised and amortised over the period during which the Group is expected to benefit.

Following initial recognition, the carrying amount of an intangible asset is its cost less accumulated amortisation and impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite. There were no indefinite-lived assets in 2022 or 2021.

**Amortisation** Amortisation is charged on assets with finite lives and is disclosed as an administrative expense in the consolidated income statement. The amortisation method used reflects the expected pattern of consumption of future economic benefits and generally amortised on a straight-line basis, the amortisation periods used are as follows:

- Intangible assets acquired in business combinations – 1.5 to 20 years.
- Intangible assets purchased or internally capitalised – 3 to 20 years

**Impairment:** Intangible assets with finite lives are only tested for impairment, either individually or at the cash-generating unit level, where there is an indicator of impairment.

**Derecognition:** Intangible assets are derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset (retired). Any gain or loss arising on derecognition of the asset, calculated as the difference between the net disposal proceeds and the carrying value of the asset, is included in the consolidated income statement when the asset is derecognised.

**The measurement of intangible assets other than goodwill in a business combination:** on the acquisition of a business, the identifiable intangible assets may include licences, customer lists and brands. The fair value of these assets is determined by discounting estimated future net cash flows generated by the asset because in most cases no active market for the assets exists and therefore no observable value exists. The use of different assumptions for the expectations of future cash flows and the discount rate would change the valuation of the intangible assets.

**The assessment of costs capitalised as intangible assets to generate future economic benefits:** judgement is applied in assessing whether costs incurred, both internal and external, will generate future economic benefits. Judgements and estimates are applied in determining the carrying value of the assets, including assumptions made in respect of the status of the programme each asset relates to. Given the level of judgement and estimation involved in assessing future cash flows, it is reasonably possible that outcomes within the next financial year may be different from management's assumptions and require an adjustment to the carrying value of intangible assets.

## Section 3: Operating assets and liabilities continued

## 3.3 Intangible assets continued

|                                                                  | 2022                                                      |                                      |             | 2021                                                      |                                      |             |
|------------------------------------------------------------------|-----------------------------------------------------------|--------------------------------------|-------------|-----------------------------------------------------------|--------------------------------------|-------------|
|                                                                  | Intangible assets acquired in business combinations<br>£m | Capitalised/purchased software<br>£m | Total<br>£m | Intangible assets acquired in business combinations<br>£m | Capitalised/purchased software<br>£m | Total<br>£m |
| <b>Cost</b>                                                      |                                                           |                                      |             |                                                           |                                      |             |
| At 1 January                                                     | 55.4                                                      | 222.7                                | 278.1       | 174.3                                                     | 314.2                                | 488.5       |
| Disposal of business                                             | —                                                         | (33.0)                               | (33.0)      | (61.3)                                                    | (7.6)                                | (68.9)      |
| Additions                                                        | —                                                         | 27.3                                 | 27.3        | —                                                         | 32.5                                 | 32.5        |
| Disposals – included in adjusted profit                          | —                                                         | (12.2)                               | (12.2)      | —                                                         | (3.0)                                | (3.0)       |
| Disposals – included in business exits                           | —                                                         | —                                    | —           | —                                                         | (3.4)                                | (3.4)       |
| Transfer to assets held-for-sale                                 | —                                                         | —                                    | —           | (6.8)                                                     | (16.4)                               | (23.2)      |
| Reclassifications                                                | —                                                         | 0.5                                  | 0.5         | —                                                         | 1.9                                  | 1.9         |
| Asset retirement                                                 | (53.1)                                                    | (11.2)                               | (64.3)      | (50.3)                                                    | (94.8)                               | (145.1)     |
| Exchange movement                                                | 0.7                                                       | 0.5                                  | 1.2         | (0.5)                                                     | (0.7)                                | (1.2)       |
| At 31 December                                                   | 3.0                                                       | 194.6                                | 197.6       | 55.4                                                      | 222.7                                | 278.1       |
| <b>Amortisation and impairment</b>                               |                                                           |                                      |             |                                                           |                                      |             |
| At 1 January                                                     | 49.6                                                      | 81.2                                 | 130.8       | 135.4                                                     | 88.1                                 | 223.5       |
| Amortisation charged in the year - included in adjusted profit   | —                                                         | 31.7                                 | 31.7        | —                                                         | 33.7                                 | 33.7        |
| Amortisation charged in the year - excluded from adjusted profit | 5.1                                                       | —                                    | 5.1         | 7.7                                                       | —                                    | 7.7         |
| Amortisation charged in the year - included in business exits    | —                                                         | 4.7                                  | 4.7         | 3.2                                                       | 7.1                                  | 16.3        |
| Impairment – included in adjusted profit                         | —                                                         | 5.5                                  | 5.5         | —                                                         | 56.1                                 | 56.1        |
| Impairment – included in business exits                          | —                                                         | 0.4                                  | 0.4         | —                                                         | 2.6                                  | 2.6         |
| Disposal of business                                             | —                                                         | (12.6)                               | (12.6)      | (46.5)                                                    | (2.4)                                | (48.9)      |
| Disposals – included in adjusted profit                          | —                                                         | (10.5)                               | (10.5)      | —                                                         | (2.7)                                | (2.7)       |
| Disposals – included in business exits                           | —                                                         | —                                    | —           | —                                                         | (3.4)                                | (3.4)       |
| Transfer to assets held-for-sale                                 | —                                                         | —                                    | —           | (5.7)                                                     | (3.1)                                | (8.8)       |
| Reclassifications                                                | —                                                         | —                                    | —           | —                                                         | 0.4                                  | 0.4         |
| Asset retirement                                                 | (53.1)                                                    | (11.2)                               | (64.3)      | (50.3)                                                    | (94.8)                               | (145.1)     |
| Exchange movement                                                | 0.7                                                       | 0.1                                  | 0.8         | (0.2)                                                     | (0.1)                                | (0.6)       |
| At 31 December                                                   | 2.3                                                       | 89.3                                 | 91.6        | 49.6                                                      | 81.2                                 | 130.8       |
| <b>Net book value</b>                                            |                                                           |                                      |             |                                                           |                                      |             |
| At 1 January                                                     | 5.8                                                       | 141.5                                | 147.3       | 38.9                                                      | 226.1                                | 265.0       |
| At 31 December                                                   | 0.7                                                       | 105.3                                | 106.0       | 5.8                                                       | 141.5                                | 147.3       |

Intangible assets acquired in business combinations include committed sales (net book value 2022: £0.7m, 2021: £3.3m), and client lists and relationships (net book value 2022: £nil, 2021: £2.5m). Intangible assets capitalised or purchased include capitalised software development (net book value 2022: £90.9m, 2021: £120.7m) and purchased software (net book value 2022: £14.4m, 2021: £20.8m).

Impairment included in adjusted profit in 2021 includes £53.5m in respect of areas of a new financial reporting system invested in as part of the finance transformation that are no longer expected to be used. This charge was previously excluded from adjusted profit, however following the change in presentation of adjusted results (refer to note 2.4) the related charge has been re-presented and included within adjusted profit.

## Section 3: Operating assets and liabilities continued

### 3.4 Goodwill

#### AP Accounting policies

Following initial recognition, goodwill is stated at cost less any accumulated impairment losses. Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Goodwill arising on acquisitions prior to 31 December 1997 remains set off directly against reserves and does not get recycled through the consolidated income statement.

At the acquisition date, any goodwill acquired is allocated to the cash-generating units (CGU) which are expected to benefit from the combination's synergies. Impairment is determined by assessing the recoverable amount of the CGU to which the goodwill relates. Where the recoverable amount of the CGU is less than the carrying amount, an impairment loss is recognised. Where goodwill forms part of a CGU and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in these circumstances is measured on the basis of the relative values of the operation disposed of and the portion of the CGU retained.

Acquisitions and disposals of non-controlling interests that do not result in a change of control are accounted for as transactions with owners in their capacity as owners and therefore no goodwill is recognised as a result of such transactions. The adjustments to non-controlling interests are based on a proportionate amount of the net assets of the subsidiary. Any difference between the price paid or received and the amount by which non-controlling interests are adjusted is recognised directly in equity and attributed to the owners of the Parent company.

Prior to the adoption of IAS 27 (Amended), goodwill was recognised on the acquisition of non-controlling interests in a subsidiary, which represented the excess of the cost of the additional investment over the carrying amount of the interest in the net assets acquired at the date of the transaction.

#### Significant accounting judgements, estimates and assumptions

**Measurement and impairment of goodwill:** the amount of goodwill initially recognised as a result of a business combination is dependent on the allocation of the purchase price to the fair value of the identifiable assets acquired and the liabilities assumed. The determination of the fair value of the assets and liabilities is based, to a considerable extent, on management's judgement. Allocation of the purchase price affects the results of the Group because finite lived intangible assets are amortised. The Group determines whether goodwill is impaired on an annual basis, or more frequently if required, and this requires an estimation of the recoverable amount of the CGUs to which the intangible assets are allocated utilising an estimation of future cash flows and choosing a suitable discount rate.

|                                                 | 2022<br>£m | 2021    |
|-------------------------------------------------|------------|---------|
| <b>Cost</b>                                     |            |         |
| At 1 January                                    | 1,676.8    | 1,918.5 |
| Disposal of businesses                          | (255.0)    | (60.7)  |
| Transfer to disposal group assets held-for-sale | —          | (177.3) |
| Exchange movement                               | 1.5        | 1.3     |
| At 31 December                                  | 1,423.3    | 1,676.8 |
| <b>Accumulated impairment</b>                   |            |         |
| At 1 January                                    | 725.1      | 798.0   |
| Disposal of businesses                          | (76.7)     | —       |
| Transfer to disposal group assets held-for-sale | —          | (89.0)  |
| Impairment – excluded from adjusted profit      | 169.0      | 11.5    |
| Impairment – included in business exits         | —          | 4.0     |
| At 31 December                                  | 817.4      | 725.1   |
| <b>Net book value</b>                           |            |         |
| At 1 January                                    | 951.7      | 1,120.5 |
| At 31 December                                  | 605.9      | 951.7   |

## Section 3: Operating assets and liabilities continued

### 3.1 Goodwill continued

#### Cash-generating units

Reflecting the way management exercises oversight and monitors the Group's performance, the lowest level at which goodwill is monitored is at the divisional level for Capita Public Service and Capita Experience, and at a sub-divisional level for Capita Portfolio. At 31 December 2022 the Group has seven CGUs or groups of CGUs for the purpose of impairment testing of goodwill.

In light of the ongoing disposal processes within the Capita Portfolio division, the CGUs and groups of CGUs relating to the Capita Portfolio division have been presented in aggregate in the table below, and where relevant in this note. An aggregated disclosure of the carrying value of goodwill for the Capita Portfolio division with recoverable amount sensitivity disclosed, including the impact on the aggregate impairment charge recognised, is considered by management to provide meaningful information to the primary users of these consolidated financial statements.

Carrying amount of goodwill allocated to groups of CGUs.

| CGU                                        | Capita Public<br>Service<br>£m | Capita<br>Experience<br>£m | Capita<br>Portfolio<br>£m | Total<br>£m  |
|--------------------------------------------|--------------------------------|----------------------------|---------------------------|--------------|
| At 1 January                               | 284.6                          | 220.2                      | 446.9                     | 951.7        |
| Business disposals                         | —                              | (11.9)                     | (166.4)                   | (178.3)      |
| Impairment – excluded from adjusted profit | —                              | —                          | (169.0)                   | (169.0)      |
| Exchange movement                          | —                              | 1.5                        | —                         | 1.5          |
| <b>At 31 December</b>                      | <b>284.6</b>                   | <b>209.8</b>               | <b>111.5</b>              | <b>605.9</b> |

#### Business exits

As set out in note 2.8, eight businesses were fully disposed of during the year. Goodwill relating to three of these businesses had been reclassified to disposal group assets held-for-sale at 31 December 2021. Goodwill relating to the other disposals is included within the Group's brought forward goodwill balances as at 1 January 2022, and has either been impaired during the course of the year, or derecognised as part of business disposals.

No businesses that the Group intends to dispose of in 2023 met the criteria to be treated as held-for-sale at 31 December 2022.

#### The impairment test

In undertaking the annual impairment review, the directors considered both internal and external sources of information, and any observable indications that may suggest that the carrying value of goodwill may be impaired. This included a comparison with the Group's share price and market capitalisation.

The Group's impairment test compares the carrying value of each CGU with its recoverable amount. The recoverable amount of a CGU is the higher of fair value less cost of disposal, and its value in use, where value in use would typically be the expected cash flows to be generated from operating the businesses into perpetuity.

At 31 December 2022, no planned disposals met the threshold to be classified as held-for-sale (refer to note 2.8). However, the disposal of businesses aligned to the People Business Solutions (excluding one smaller business where the disposal process is less advanced), Travel and Fera CGUs or groups of CGUs in the Capita Portfolio division were sufficiently advanced that the Board's judgement was that for impairment testing purposes the value-in-use of these CGUs or groups of CGUs should be determined based on the future cash flows of the CGUs or groups of CGUs from continuing use, up to the estimated date of disposal, plus an estimate of the sale proceeds less cost of disposal.

At 30 June 2022, a goodwill impairment of £92.5m was recognised in respect of the People and Property groups of CGUs, and at 31 December 2022, a further goodwill impairment of £76.5m was recognised in respect of the People, Travel and Business Solutions groups of CGUs. The impairments arose primarily due to the expectation of acquirers factoring in additional investment and costs required to run the businesses outside of the Group, and general macroeconomic conditions. The Property group of CGUs was disposed of in the second half of 2022.

As at 31 December 2022, the estimated recoverable amount of each remaining Group of CGUs exceeded its respective carrying value. The key inputs to the calculations are described below, including changes in market conditions.

#### Forecast cash flows

The cash flow projections prepared for the impairment test are derived from the 2023-2025 business plans (BP) approved by the Board.

Global economic uncertainties continue to lead to increased judgement being applied, particularly in forecasting future financial performance.

Other than for movements in deferred income and contract fulfilment assets, cash flows are adjusted to exclude working capital movements since the corresponding balances are not included in the CGU carrying amount.

For ongoing disposals that are seen to be sufficiently advanced, forecast cash flows cover both operational cash flows up to the expected date of disposal, as well as the Board's best estimate of expected net proceeds at disposal. These have been derived from management's latest financial projections and reflect an assessment of the range of bids currently being considered by the Board, the status of these sale processes and the time horizon over which these transactions are expected to complete.

#### Allocation of central function costs

The Board has considered an appropriate methodology to apply when allocating central function costs. The methodology applied for the 2022 impairment test was aligned to that applied in reporting segmental performance (refer to note 2.5). The costs of Capita plc, which have not been allocated as part of segmental reporting, are allocated based on 2023 forecast EBITDA.

#### Long-term growth rate

The long-term growth rate is based on economic growth forecasts by recognised bodies and this has been applied to forecast cash flows for years four and five (2026 and 2027) and for the terminal period. The 2022 long-term growth rate is 2.2% (2021: 1.7%).

## Section 3: Operating assets and liabilities continued

### 3.4 Goodwill impairment

#### Discount rates

Management estimates discount rates using pre-tax rates of comparator companies for each CGU or group of CGUs, which reflect the latest market assumptions for the risk-free rate, the equity risk premium and the net cost of debt, and which are all based on publicly available external sources.

The table below represents the pre-tax discount rates applied to the cash flows for 2022 and 2021

|      | Capita Portfolio      |                   |        |          |                    |        |       |
|------|-----------------------|-------------------|--------|----------|--------------------|--------|-------|
|      | Capita Public Service | Capita Experience | People | Software | Business Solutions | Travel | Fera  |
| 2022 | 11.8%                 | 10.4%             | 14.3%  | 12.1%    | 12.1%              | 13.0%  | 11.2% |
| 2021 | 13.0%                 | 11.6%             | 12.4%  | 12.8%    | 13.3%              | 15.7%  | 11.9% |

#### Sensitivity analysis

The impairment testing as described is reliant on the accuracy of management's forecasts and the assumptions that underlie them and on the selection of the discount and growth rates to be applied. To gauge the sensitivity of the result to a change in any one or combination of the assumptions that underlie the model, a number of scenarios were developed to identify the range of reasonably possible alternatives and measure which CGUs are the most susceptible to an impairment should the assumptions used be varied.

Sensitivity scenarios applied estimate the additional impairment required (with all other variables being equal) by: an increase in discount rate of 1%, or a decrease of 1% in the long-term growth rate (for the terminal period) for the Group in total and each of the CGUs, or, by the severe but plausible downsides applied to the base-case projections for assessing going concern and viability, without mitigations, for 2023 to 2025 and the long-term growth rate (2.2%) applied to projected cash flows for 2026-2027, and the terminal period. We have also considered the impact of all of the scenarios together, which is also a reasonable possible alternative.

This sensitivity analysis covers CGUs where the associated business' value-in-use has been calculated based on operating the business into perpetuity (covering Capita Public Service, Capita Experience, the Portfolio Software pillar, and one smaller business within the Portfolio Business Solutions pillar where the disposal process is less far advanced). No additional impairments have been identified under any of these sensitivity scenarios, including the combination sensitivity scenario. However, for the Portfolio Software group of CGUs it is noted that the key assumption impacting the impairment test is the forecast EBITDA growth included in the BP (compound annual growth rate over the BP period in excess of 60%). The forecast EBITDA in 2025 would need to reduce by more than 45% before the group of CGUs' recoverable amount would be equal to its carrying amount.

For the businesses in the Capita Portfolio division where for impairment testing purposes the value-in-use has been determined based on the future cash flows of the CGUs from continuing use up to the estimated date of disposal, plus an estimate of the net sale proceeds (being businesses aligned to the People, Business Solutions, Travel and Fera CGUs or groups of CGUs) assumptions are used the expected sale proceeds are seen to be the only key assumption impacting the impairment test.

While it is the Board's intention to complete these disposals in the short-term, where there are presently no signed agreements in place with any counterparty, there are a range of possible outcomes that could occur, and the actual net proceeds received could be materially higher or lower than those assumed in the impairment assessment. Given the dependence on commercial negotiations it is not possible to quantify a reasonably possible change in this key assumption, however a change of 10% in the aggregate net proceeds would have materially altered the impairment charge recognised. The expected sales proceeds are based on the Board's best estimate, based on the knowledge existing at the time of estimation.

## Section 3: Operating assets and liabilities continued

### 3.5 Right-of-use assets

#### AP Accounting policies

At the inception of the lease, the Group recognises a right-of-use asset at cost, which comprises the present value of minimum future lease payments determined at the inception of the lease. Right-of-use assets are depreciated using the straight-line method over the shorter of estimated life or the lease term. Depreciation is included within administrative expenses in the consolidated income statement. Amendment to lease terms resulting in a change in payments or the length of the lease results in an adjustment to the right-of-use asset and corresponding lease liability. Right-of-use assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be fully recoverable.

Right-of-use assets exclude leases with low values and terms of twelve months or less. These leases are expensed to the consolidated income statement as incurred.

| Net Book Value                                                     | Property<br>£m | Motor vehicles<br>£m | Equipment<br>£m | Total<br>£m |
|--------------------------------------------------------------------|----------------|----------------------|-----------------|-------------|
| At 1 January 2021                                                  | 310.0          | 16.9                 | 15.2            | 342.1       |
| Addition of new leases                                             | 18.2           | 4.2                  | —               | 22.4        |
| Depreciation charged during the year - included in adjusted profit | (55.1)         | (6.5)                | (6.5)           | (68.2)      |
| Impairment - included in adjusted profit                           | (13.0)         | —                    | (0.3)           | (13.3)      |
| Disposal                                                           | (2.2)          | —                    | (1.0)           | (3.2)       |
| Exchange movement                                                  | (1.7)          | (0.4)                | —               | (1.3)       |
| Other movements                                                    | 9.4            | (0.4)                | (0.4)           | 9.4         |
| At 31 December 2021                                                | 265.6          | 15.4                 | 6.9             | 287.9       |
| Addition of new leases                                             | 12.9           | 2.4                  | —               | 15.3        |
| Depreciation charged during the year - included in adjusted profit | (45.8)         | (6.0)                | (4.2)           | (56.0)      |
| Reversal of Impairment - included in adjusted profit               | 2.4            | —                    | 0.3             | 2.7         |
| Disposal of business                                               | (0.2)          | —                    | —               | (0.2)       |
| Disposal                                                           | (6.3)          | (1.6)                | (0.5)           | (8.4)       |
| Exchange movement                                                  | 1.4            | —                    | —               | 1.4         |
| Other movements                                                    | 7.0            | 0.4                  | (0.6)           | 6.8         |
| At 31 December 2022                                                | 237.0          | 10.6                 | 1.9             | 249.5       |

Other movements include amendments to existing leases.

## Section 3: Operating assets and liabilities continued

### 3.6 Provisions

#### AP Accounting policies

Provisions are recognised when the Group has a present legal or constructive obligation arising from past events, it is probable that cash will be paid to settle it, and the amount can be estimated reliably.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows by a rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as a financing cost in the consolidated income statement.

The value of the provision is determined based on assumptions and estimates in relation to the amount, timing and likelihood of actual cash flows, which are dependent on future events. Where no reliable basis of estimation can be made, no provision is recorded. However, contingent liabilities disclosures are given when there is a greater than remote probability of outflow of economic benefits. See note 6.2.

On an ongoing basis, management monitor provisions and their accurate estimation when compared to final outcomes.

#### Significant accounting judgements, estimates and assumptions

As detailed in note 2.1, in respect of onerous customer contract provisions, due to the level of uncertainty, combination of variables and timing across numerous contracts, it is not practical to provide a quantitative analysis of the aggregated judgements that are applied, and management do not believe that disclosing a potential range of outcomes on a consolidated basis would provide meaningful information to a user of the financial statements. Due to commercial sensitivities, the Group does not specifically disclose the amounts involved in any individual contract.

#### Provisions

The movements in provisions during the year are as follows

|                                                                                 | Reclassification<br>from other<br>provisions | Reclassification<br>to other<br>provisions | Change and<br>impairment<br>in the year | Provision<br>at start | Provision<br>at end | Current<br>provision | Total<br>provision |
|---------------------------------------------------------------------------------|----------------------------------------------|--------------------------------------------|-----------------------------------------|-----------------------|---------------------|----------------------|--------------------|
| At 1 January                                                                    | 25.6                                         | 1.5                                        | 13.2                                    | 9.7                   | 84.7                | 5.9                  | 140.6              |
| Impact of change in accounting standards –<br>amendments to IAS 37 <sup>1</sup> | —                                            | —                                          | —                                       | —                     | 18.8                | —                    | 18.8               |
| At 1 January 2022 on adoption of IAS 37                                         | 25.6                                         | 1.5                                        | 13.2                                    | 9.7                   | 103.5               | 5.9                  | 159.4              |
| Reclassification <sup>2</sup>                                                   | (25.6)                                       | —                                          | —                                       | 21.8                  | (0.5)               | 4.3                  | —                  |
| Provisions in the year                                                          | —                                            | 25.0                                       | 7.6                                     | 7.0                   | 20.6                | 6.0                  | 66.2               |
| Releases in the year                                                            | —                                            | (1.2)                                      | (1.4)                                   | (7.8)                 | (17.1)              | (3.7)                | (31.2)             |
| Utilisation                                                                     | —                                            | (14.6)                                     | (2.4)                                   | (11.7)                | (33.0)              | (5.0)                | (66.7)             |
| Disposal of subsidiaries                                                        | —                                            | —                                          | —                                       | (0.3)                 | —                   | (0.1)                | (0.4)              |
| At 31 December                                                                  | —                                            | 10.7                                       | 17.0                                    | 18.7                  | 73.5                | 7.4                  | 127.3              |
|                                                                                 |                                              |                                            | 31 December 2022                        |                       | 31 December 2021    |                      |                    |
|                                                                                 |                                              |                                            | £m                                      |                       | £m                  |                      |                    |
| Current                                                                         |                                              |                                            | 75.7                                    |                       | 126.6               |                      |                    |
| Non-current                                                                     |                                              |                                            | 51.6                                    |                       | 14.0                |                      |                    |
|                                                                                 |                                              |                                            | 127.3                                   |                       | 140.6               |                      |                    |

<sup>1</sup> The impact of the adoption of the amendments to IAS 37 on the Group's consolidated financial statements is detailed in note 2.1. The amendments to IAS 37 are applied retrospectively to the comparative period.

<sup>2</sup> The Group has reclassified provisions from other provisions to provisions in the year, and from provisions in the year to other provisions, in order to reflect the change in accounting standards. The reclassification is detailed in note 2.1.

## Section 3: Operating assets and liabilities continued

### 3.6 Provisions contingent

**Business exit provision:** The provision relates to the cost of exiting businesses through disposal or closure including professional fees related to business exits and the costs of separating the businesses being disposed. These are likely to unwind over a period of one to four years.

**Claims and litigation provision:** The Group is exposed to claims and litigation proceedings arising in the ordinary course of business. These matters are reassessed regularly and where obligations are probable and estimable, provisions are made representing the Group's best estimate of the expenditure to be incurred. Due to the nature of these claims, the Group cannot give an estimate of the period over which this provision will unwind.

**Property provision:** The provision relates to unavoidable running costs, such as insurance and security, of leasehold property where the space is vacant or currently not planned to be used for ongoing operations, and for dilapidation costs. The expectation is that this expenditure will be incurred over the remaining periods of the leases which vary up to 25 years.

**Customer contract provision:** The provision includes onerous contract provisions in respect of customer contracts where the costs of fulfilling a contract (both incremental and costs directly related to contract activities) exceeds the economic benefits expected to be received under the contract, claims obligations associated with missed milestones in contractual obligations, and other potential exposures related to contracts with customers. These provisions are forecast to unwind over periods of up to six years.

The customer contract provision includes £59.7m (2021: £54.5m) in respect of contracts in Capita Experience. The Group has highlighted in prior reporting the structural challenges associated with the closed book Life & Pensions contracts. These provided for upfront cash inflows to support initial transformation activities with a much lower level of cash inflow after the transformation phase was completed. Under the Group's long-term contract accounting policy, the cash flow profile of these contracts has resulted in deferral of profit into future years which is not backed by net cash flows (because the relevant cash receipts arose in the early years of contract execution). Additionally, some of the contracts contain evergreen clauses potentially allowing the customers to extend the contracts indefinitely until the run-off of the underlying life and pension books is complete.

The closed book Life & Pensions business has remained in structural decline because some customers, with legacy IT systems, have switched to suppliers who can provide a single digital platform for all their books. The Group has sought to drive efficiencies to mitigate this fall off in volumes, while supporting customers who have selected new outsource providers or taken the activities back in-house.

The closed books contractual dynamics have led to onerous conditions to service certain of these contracts. Management has been required to assess the likely length of the remaining contracts, given the pattern and experience of contract terminations while also recognising the evergreen clauses. Accordingly, the Group has, in prior years, provided for the onerous contract conditions based on the best estimate of the remaining contract terms.

The Group has continued to support a major customer on the transfer of services to another supplier. This is taking significantly longer than initially expected. In 2021, management reassessed the lifetime estimate to include not only the onerous contract terms but also the period and likely costs to support the final handover of services. This assessment was extended across all contracts that contain evergreen clauses, including those where there are ongoing discussions regarding either termination or transfer of services.

This reassessment, reflecting the developments in the latter half of 2021, provided cover for contracts to extend out to 2026. This resulted in an increase to the contract provision of £39.5m at 31 December 2021. At 31 December 2022, the provision was increased to provide cover for contracts to extend out to December 2027 (ie a five-year rolling period).

**Other provisions:** Relates to provisions in respect of other potential exposures arising as a result of the nature of some of the operations that the Group provides. These are likely to unwind over periods of up to five years.

## Section 4: Capital structure and finance costs

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:

- 4.1 Net debt, capital and capital management
- 4.2 Financial risk
- 4.3 Net finance costs
- 4.4 Leases
- 4.5 Financial instruments and the fair value hierarchy
- 4.6 Issued share capital
- 4.7 Group composition and non-controlling interests



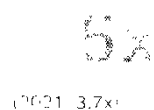
Denotes accounting policies



Denotes significant accounting judgements, estimates and assumptions

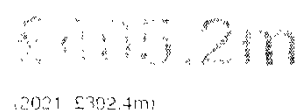
### Net financial debt to adjusted EBITDA<sup>1</sup> (both pre-IFRS 16)

Aim: Maintain the ratio of net financial debt to adjusted EBITDA<sup>1</sup> (both pre-IFRS 16) at  $\leq 1.0x$  times over the long term



1. Net financial debt is defined as net debt less cash and cash equivalents.

### Available liquidity



### Capital strategy

The Group's capital strategy is to build a strong and flexible balance sheet which supports the Group's strategic objectives, the investment needed to grow the business and allows for contributions required to reduce pension liabilities.

The Board expects to maintain the ratio of net financial debt to adjusted EBITDA<sup>1</sup> (both on a pre-IFRS 16 basis) at  $\leq 1.0x$  times.

### Liquidity

Available liquidity at 31 December 2022<sup>1</sup> was £405.2m (31 December 2021: £302.4m) and during 2022 adjusted net debt (excluding leases and restricted cash) reduced by £346.5m from £431.4m to £84.9m.

Liquidity remains a key area of focus and in July 2022 the Group signed an extension of the £300m forward start revolving credit facility (RCF) with its lending banks for a further twelve months to August 2024. The new facility commenced on 31 August 2022 upon the expiry of the previous RCF and provides the Group with committed liquidity for the cash fluctuations of the business cycle and an allowance for contingencies, and incorporates provisions such that it will partially reduce in quantum as a consequence of specified transactions. The RCF was not drawn upon at 31 December 2022 and had a total committed value of £238.4m.

A sustainability component has been included in the new facility that can adjust the margin by up to five basis points conditional upon achieving agreed ESG KPIs. Both of these KPIs have been achieved and as a result a slight reduction in the facility margin was applied.

### Net finance costs

Net finance costs have decreased by £15.2m to £31.7m (2021: £46.9m) driven by an increase in interest receivable resulting from the higher interest rate environment, a decrease in interest payable as a result of debt maturities in 2022 and favourable change in the value of our non-designated foreign exchange forward contracts.

## Section 4: Capital structure and financing costs continued

### 4.1 Net debt, capital and capital management

#### 4.1.1 Net debt and capital

The components of the Group's net debt and undrawn available liquidity are summarised below.

|                                           | Notes  | 2022<br>£m   | 2021<br>£m     | Year on Year<br>change |
|-------------------------------------------|--------|--------------|----------------|------------------------|
| Cash and cash equivalents                 | 4.5.4  | (396.8)      | (333.4)        | (63.4)                 |
| Overdraft                                 | 4.5.4  | 219.6        | 231.9          | (12.3)                 |
| Lease liabilities                         | 4.4.1  | 397.5        | 448.4          | (50.9)                 |
| Private placement loan notes <sup>1</sup> | 4.5.2  | 285.5        | 512.9          | (227.4)                |
| Credit facilities:                        |        | —            | 46.0           | (46.0)                 |
| Other loan notes                          | 4.5.2  | 0.7          | 1.3            | (0.6)                  |
| Currency and interest rate swaps          | 4.5.2  | (24.8)       | (28.0)         | 3.2                    |
| Deferred consideration                    | 4.5.2  | 0.7          | 0.7            | —                      |
| <b>Net debt</b>                           |        | <b>482.4</b> | <b>379.8</b>   | <b>(397.4)</b>         |
| Undrawn available financing facilities    | 4.5.2b | 288.4        | 345.7          | (57.3)                 |
| <b>Capital</b>                            |        | <b>770.8</b> | <b>1,225.5</b> | <b>(454.7)</b>         |

1. Private placement loan notes include US dollar and British pound sterling private placement loan notes, which are subject to covenant testing. 2021 covenant tests related to the undrawn RCF.

A reconciliation of net debt shown above to cash flow can be found in note 2.10.3.

The overdrafts are part of a cash pooling arrangement, and the underlying balances can be fully offset by cash balances in the same arrangement.

During the year, USD and GBP private placement loan notes of £40.5m and £36.7m were repaid at maturity on 22 January 2022 and 22 April 2022 respectively. The associated currency and interest rate swaps also expired on these dates, such that the combined net cash outflow for these repayments was £67.2m. Additionally, £20.7m of the outstanding EUR fixed rate notes were prepaid during June and July 2022 as a result of the disposal of Trustmarque with a further repayment at maturity on 10 November 2022 of £138.8m.

#### 4.1.2 Capital management

Focus on capital management forms an important component of Board meetings, including review of forecast gearing and key covenant tests, and the mix of funding sources, thereby ensuring sustainability and flexibility. Shareholder returns will be reviewed over time in accordance with the Group's generation of sustainable free cash flow.

The Group's capital management process ensures that it meets the financial covenants of its borrowing arrangements. There are two separate sets of covenant tests underlying the Group's financial instruments with the key difference being the treatment of IFRS 16. There have been no breaches in the financial covenants of any loans or borrowings during the reporting period.

The committed RCF provides the liquidity needed to cover the cash fluctuations of the business cycle, allowing a buffer for contingencies.

Capita plc supports the obligations of its various regulated financial services businesses. The Board of each regulated firm is responsible for ensuring it has embedded capital management frameworks that ensure the availability of adequate financial resources at all times, and all of them complied with all externally imposed financial services regulatory capital requirements applicable to them.

To provide working capital funding at an economically favourable rate versus the RCF, in the UK, the Group uses a non-recourse invoice discounting facility, and the value of invoices sold under this arrangement at 31 December 2022 was £36.9m (2021: £3.9m). Additionally, the Group's German business uses a non-recourse invoice discounting arrangement for a specific customer contract, and the value of invoices sold under that arrangement at 31 December 2022 was £7.5m (2021: £12.5m).

## Section 4: Capital structure and financing costs continued

### 4.2 Financial risk

#### Financial risk management objectives and policies

The Group's Board of directors has overall responsibility for the establishment and oversight of the Group's risk management framework, which is outlined on pages 54 to 63 of the strategic report. The Group's principal financial instruments comprise cash, bank loans, private placement loan notes, lease assets and liabilities, and derivatives. The purpose of these is to fund and provide liquidity for the Group's operations and to manage its financial risks. The Group has various other financial instruments including trade receivables and trade payables arising from its operations.

Derivatives comprise cross-currency interest rate swaps and forward foreign currency contracts executed with its relationship banks, all of which have investment grade credit ratings. The derivatives' purpose is to manage interest rate and currency risks arising from the Group's operations and its sources of finance. It is the Group's policy that no speculative trading in financial instruments is undertaken.

The main risks arising from the Group's financial instruments are liquidity risk, foreign currency risk, interest rate risk, and credit risk. The Board periodically reviews and agrees policies for managing these risks, which are summarised below.

#### 4.2.1 Liquidity risk

The Group monitors the risk of a liquidity shortage through its business plan and liquidity cycle forecasts and analysis, taking into consideration the maturity of the Group's financial instruments, projected cash flows from operations and an allowance for contingencies.

The Group's policy is to hold cash and undrawn committed facilities at a level sufficient to fund the Group's operations and its medium-term plans. Multiple sources of funding are used to maintain a balance between continuity of funding and flexibility without placing reliance on sources that are not contractually committed.

The Group's committed bank facilities provide liquidity for the cash fluctuations of the business cycle and an allowance for contingencies. At 31 December 2022 the RCF commitment was £288.4m (31 December 2021: £385.7m) and was subsequently reduced to £284.7m on 4 January 2023 following receipt of proceeds from disposals. The RCF expires on 31 August 2024 and was not drawn upon at 31 December 2022 (31 December 2021: £40.0m drawn).

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

The Group's core funding is provided by US private placement loan notes and euro fixed-rate bearer notes (private placement loan notes), and to mitigate the risk of needing to refinance in challenging conditions, these have been arranged with a spread of maturities to November 2027.

The bank facilities and private placement loan notes all include provisions that would require repayment in the event of a change of control which are typical of these arrangements.

In March 2022 the Group executed a committed backstop bridge facility with one of its relationship banks which provided £70m of additional liquidity and incorporated provisions such that it would be cancelled or partially reduced in quantum as a consequence of specified transactions, including on the completion of the announced disposal of Trustmarque. The facility was cancelled on 10 March 2022 following receipt of the Trustmarque disposal proceeds.

In February 2023, the Group entered into a committed bridge facility of £50m with three of its relationship banks providing additional liquidity from 1 January 2024. It incorporates provisions such that it will partially reduce in quantum as a consequence of specified transactions. The committed facility has an expiry date of 31 December 2024 and is subject to covenants, which are the same as those in the RCF.

The tables below summarise the maturity profile of the Group's financial liabilities based on contractual and discounted cash flows. All balances are stated based on the prevailing foreign exchange rates and the contractual interest rates at the end of the reporting period.

|                                          | Within<br>1 year<br>£m | Between<br>1–2 years<br>£m | Between<br>2–3 years<br>£m | Between<br>3–4 years<br>£m | Between<br>4–5 years<br>£m | More than<br>5 years<br>£m | Total<br>£m |
|------------------------------------------|------------------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|-------------|
| At 31 December 2022                      |                        |                            |                            |                            |                            |                            |             |
| Overdraft*                               | 219.6                  | —                          | —                          | —                          | —                          | —                          | 219.6       |
| Private placement loan notes             | 75.0                   | —                          | 91.4                       | 34.7                       | 94.0                       | —                          | 295.1       |
| Interest on loan notes                   | 9.6                    | 7.9                        | 6.2                        | 4.5                        | 2.6                        | —                          | 30.8        |
| Lease liabilities                        | 76.1                   | 64.9                       | 49.0                       | 39.7                       | 33.6                       | 296.7                      | 560.0       |
| Deferred consideration                   | —                      | —                          | —                          | —                          | 0.7                        | —                          | 0.7         |
| Put options of non-controlling interests | 9.2                    | —                          | —                          | —                          | —                          | —                          | 9.2         |
| Cross-currency interest rate swaps       | 0.8                    | 0.8                        | 0.8                        | 0.8                        | —                          | —                          | 3.2         |
| Other financial instruments              | 0.7                    | —                          | —                          | —                          | —                          | —                          | 0.7         |
|                                          | 391.0                  | 73.6                       | 147.4                      | 79.7                       | 130.9                      | 296.7                      | 1,119.3     |

\* The overdraft balance is stated net of cash held at the bank. The overdraft is secured by the Group's assets and is subject to a revolving credit facility. The overdraft is used for the Group's day-to-day operations.

## Section 4: Capital structure and financing costs continued

### 4.2 Financial risk continued

| At 31 December 2022                      | Within 1 year<br>£m | Between 1-2 years<br>£m | Between 2-3 years<br>£m | Between 3-4 years<br>£m | Between 4-5 years<br>£m | More than 5 years<br>£m | Total<br>£m |
|------------------------------------------|---------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------|
| Overdraft                                | 231.9               | —                       | —                       | —                       | —                       | —                       | 231.9       |
| Credit facilities                        | 46.0                | —                       | —                       | —                       | —                       | —                       | 46.0        |
| Private placement loan notes             | 226.9               | 69.8                    | —                       | 84.6                    | 32.9                    | 94.6                    | 508.8       |
| Interest on loan notes                   | 15.3                | 9.2                     | 7.6                     | 6.0                     | 4.5                     | 2.6                     | 45.2        |
| Lease liabilities                        | 82.8                | 73.0                    | 61.8                    | 46.6                    | 38.1                    | 322.2                   | 624.5       |
| Deferred consideration                   | —                   | —                       | —                       | —                       | —                       | 0.7                     | 0.7         |
| Put options of non-controlling interests | 8.6                 | —                       | —                       | —                       | —                       | —                       | 8.6         |
| Cross-currency interest rate swaps       | 0.6                 | 0.7                     | 0.4                     | 0.4                     | 0.4                     | —                       | 2.5         |
| Cash flow hedges                         | 0.6                 | 0.6                     | 0.1                     | —                       | —                       | —                       | 1.3         |
| Other financial instruments              | 1.3                 | 4.3                     | —                       | —                       | —                       | —                       | 5.6         |
|                                          | 614.0               | 157.6                   | 69.9                    | 137.6                   | 75.9                    | 420.1                   | 1,475.1     |

#### 4.2.2 Foreign currency risk

The Group is not generally exposed to significant foreign currency transaction risk with two exceptions. Firstly, services are provided by the Group's operations in India and South Africa and incurred in Indian rupee (INR) and South African rand (ZAR). The Group seeks to mitigate the short term effect of this exposure by entering into forward foreign exchange contracts to fix the British pounds sterling (GBP) cost of highly probable transactions over a rolling 24 month period.

At 31 December 2022, the Group held forward foreign exchange contracts against forecast internal monthly INR and ZAR costs expected in the years up to and including December 2024. These forecast costs have been determined on the basis of the underlying cash flows associated with the delivery of services under executed customer contracts.

Secondly, the Group holds foreign exchange forwards against committed costs relating to the purchase of cloud software services in US dollars (USD) in the years up to and including August 2024.

To maximise hedge effectiveness, forward foreign exchange contracts are executed with terms matching the underlying cash flows.

The following table demonstrates the sensitivity of the Group's profit before tax and equity to a 5% strengthening (weakening) in INR, ZAR and USD exchange rates, assuming all other variables are unchanged, that would arise from the resulting changes in the fair value of the Group's forward exchange contracts.

|      | USD                               |                        | INR                               |                        | ZAR                               |                        |
|------|-----------------------------------|------------------------|-----------------------------------|------------------------|-----------------------------------|------------------------|
|      | Effect on profit before tax<br>£m | Effect on equity<br>£m | Effect on profit before tax<br>£m | Effect on equity<br>£m | Effect on profit before tax<br>£m | Effect on equity<br>£m |
| 2022 | —                                 | 0.8                    | —                                 | 0.3                    | 1.8                               | —                      |
| 2021 | —                                 | (3.3)                  | —                                 | (5.3)                  | (3.1)                             | —                      |

#### 4.2.3 Interest rate risk

The Group manages its interest rate exposure, which arises from the Group's private placement loan notes, cash deposits and RCF drawings at variable interest rates through cross-currency interest rate swaps. The swaps are designated fair value hedges against the fair value changes of the private placement loan notes.

## Section 4: Capital structure and financing costs continued

### 4.2 Financial risk continued

The net level of floating rate interest exposure is managed, to arrive at an acceptable overall interest rate risk profile. The interest rate profile of the Group's interest-bearing financial instruments was as follows:

| Nominal amounts              | Within<br>1 year<br>£m | Between<br>1–2 years<br>£m | Between<br>2–3 years<br>£m | Between<br>3–4 years<br>£m | Between<br>4–5 years<br>£m | More than<br>5 years<br>£m | Total<br>£m |
|------------------------------|------------------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|-------------|
| At 31 December 2022          |                        |                            |                            |                            |                            |                            |             |
| <b>Fixed rate</b>            |                        |                            |                            |                            |                            |                            |             |
| Private placement loan notes | 27.5                   | —                          | 29.7                       | 18.6                       | 71.2                       | —                          | 147.0       |
| <b>Floating rate</b>         |                        |                            |                            |                            |                            |                            |             |
| Cash in hand                 | (396.8)                | —                          | —                          | —                          | —                          | —                          | (396.8)     |
| Overdraft                    | 219.6                  | —                          | —                          | —                          | —                          | —                          | 219.6       |
| Private placement loan notes | 38.8                   | —                          | 46.2                       | 15.5                       | 17.1                       | —                          | 117.6       |
| At 31 December 2021          |                        |                            |                            |                            |                            |                            |             |
| <b>Fixed rate</b>            |                        |                            |                            |                            |                            |                            |             |
| Private placement loan notes | 169.2                  | 27.5                       | —                          | 29.7                       | 18.6                       | 74.2                       | 319.2       |
| <b>Floating rate</b>         |                        |                            |                            |                            |                            |                            |             |
| Cash in hand                 | (333.4)                | —                          | —                          | —                          | —                          | —                          | (333.4)     |
| Overdraft                    | 231.9                  | —                          | —                          | —                          | —                          | —                          | 231.9       |
| Private placement loan notes | 48.5                   | 38.8                       | —                          | 46.2                       | 15.5                       | 17.1                       | 166.1       |
| Credit facilities            | 46.0                   | —                          | —                          | —                          | —                          | —                          | 46.0        |

A sensitivity analysis to changes in interest rates shows that a 0.5% increase or decrease in interest rates, assuming all other variables are held constant, results in an £0.6m (2021: £1.1m) increase or decrease to profit before tax, and no impact on the Group's equity.

#### 4.2.4 Hedges

##### Fair value hedges

The Group's fixed rate USD and GBP private placement loan notes are hedged through a combination of cross-currency interest rate swaps. The cross-currency interest rate swaps hedge the exposure to changes in the fair value of US dollar denominated loan notes. The loan notes and their corresponding swaps have the same critical terms including nominal values and maturity dates.

The total loss in the year on the fair value hedges of £3.2m (2021: £30.0m loss) was equal to the loss/gain on the hedged items resulting in no net gain or loss in the income statement apart from hedge ineffectiveness from credit risk and currency basis risk. The effect of hedge ineffectiveness resulted in a £0.2m debit (2021: £0.1m credit) to the consolidated income statement, shown in net finance costs, note 4.3.

The impact of the hedged item and the related financial derivatives on the consolidated balance sheet at 31 December 2022 is as follows:

|                                                  | Notional amount<br>£m | Carrying amount<br>£m | Line item in the<br>balance sheet | Change in FV used for<br>measuring ineffectiveness<br>£m |
|--------------------------------------------------|-----------------------|-----------------------|-----------------------------------|----------------------------------------------------------|
| Cross-currency interest rate swaps – assets      | 102.1                 | 25.8                  | Financial assets                  | (4.4)                                                    |
| Cross-currency interest rate swaps – liabilities | 15.5                  | (1.0)                 | Financial liabilities             | 1.2                                                      |
|                                                  |                       | 24.8                  |                                   | (3.2)                                                    |

|                              | Carrying amount<br>£m | Accumulated FV<br>adjustment<br>£m | Line item in the<br>balance sheet | Change in FV used for<br>measuring ineffectiveness<br>£m |
|------------------------------|-----------------------|------------------------------------|-----------------------------------|----------------------------------------------------------|
| Private placement loan notes | 285.5                 | 24.8                               | Financial Liabilities             | 3.2                                                      |

## Section 4: Capital structure and financing costs continued

### 4.2 Financial risk continued

#### Cash flow hedges

The Group holds a series of non-deliverable forward foreign exchange contracts (NDFs), that are designated as hedges of the highly probable transactions in INR of the Group's Indian operations. The terms of the NDFs match the terms of these commitments.

Secondly, the Group holds foreign exchange forward contracts against committed costs relating to the purchase of cloud software services in US dollars in years up to and including August 2024.

The fair value of cash flow hedging instruments held at 31 December 2022 is shown in note 4.5.2.

The cash flow hedges have been assessed to be highly effective. The cash flow hedging reserve comprises the effective portion of the cumulative net change in the fair value of the hedging instruments. The following table provides an analysis of components of equity resulting from cash flow hedge accounting

|                                                                                             | 2022<br>£m | 2021<br>£m |
|---------------------------------------------------------------------------------------------|------------|------------|
| At 1 January                                                                                | (0.7)      | (4.8)      |
| Change in fair value recognised in the consolidated statement of other comprehensive income | 11.5       | 1.3        |
| Reclassified to the consolidated income statement:                                          |            |            |
| recognised in administrative expenses                                                       | (5.1)      | —          |
| recognised in net finance cost                                                              | —          | 0.6        |
| Change in tax                                                                               | (1.6)      | 2.2        |
| At 31 December                                                                              | 4.1        | (0.7)      |

#### 4.2.5 Credit risk

The Group trades only with third parties that are expected to be creditworthy. It is the Group's policy that all clients who wish to trade on credit terms are subject to credit verification procedures. The Group manages its operations to avoid any excessive concentration of counterparty risk and the Group takes all reasonable steps to seek assurance from the counterparties that they can fulfil their obligations. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to credit loss remains low - also refer note 3.1.1.

The carrying values of the Group's financial assets and contract assets represent its maximum credit exposure.

The mark-to-market movement on derivatives includes the extent to which the fair value of these instruments has been affected by the perceived change in the creditworthiness of the counterparties (ie the expected credit losses) to those instruments and that of the Group itself (own credit risk). The Group is comfortable that the risk attached to those counterparties is not significant and believes that the swaps continue to act as an effective hedge against the movements in the fair value of the Group's private placement loan notes.

#### 4.2.6 Finance costs

The table below shows the composition of net finance costs, including those excluded from adjusted profit:

|                                                                    | Notes | 2022<br>£m   | 2021<br>£m   |
|--------------------------------------------------------------------|-------|--------------|--------------|
| <b>Interest income</b>                                             |       |              |              |
| Interest on cash                                                   |       | (1.1)        | (0.4)        |
| Interest on finance lease assets                                   |       | (4.2)        | (4.3)        |
| Net interest income on defined benefit pension schemes             | 5.2   | (3.6)        | —            |
| <b>Total interest income</b>                                       |       | <b>(8.9)</b> | <b>(4.7)</b> |
| <b>Interest expense</b>                                            |       |              |              |
| Private placement loan notes <sup>1</sup>                          |       | 12.0         | 12.0         |
| Cash flow hedges recycled to the income statement                  |       | —            | 0.6          |
| Bank loans and overdrafts                                          |       | 9.2          | 5.4          |
| Interest on finance lease liabilities                              |       | 22.6         | 23.8         |
| Net interest expense on defined benefit pension schemes            | 5.2   | —            | 1.6          |
| <b>Total interest expense</b>                                      |       | <b>43.8</b>  | <b>42.8</b>  |
| <b>Net finance expense included in adjusted profit</b>             |       | <b>34.9</b>  | <b>44.5</b>  |
| <b>Included within business exits</b>                              |       |              |              |
| Bank loans and overdrafts                                          |       | 0.2          | 0.7          |
| Discount unwind on public sector subsidiary partnership payment    | 4.5.2 | —            | 0.4          |
| Other financial (income)/expense                                   |       | —            | (0.1)        |
| <b>Other items excluded from adjusted profits</b>                  |       |              |              |
| Non-designated foreign exchange forward contracts - mark-to-market |       | (3.6)        | 1.5          |
| Fair value hedge ineffectiveness <sup>2</sup>                      | 4.2.4 | 0.2          | (0.1)        |
| <b>Net finance (income)/expenses excluded from adjusted profit</b> |       | <b>(3.2)</b> | <b>2.4</b>   |
| <b>Total net finance expense</b>                                   |       | <b>31.7</b>  | <b>46.9</b>  |

<sup>1</sup> The private placement loan notes are subject to a revolving credit facility with a maximum borrowing limit of £100 million. The facility is secured by the Group's assets and is subject to a revolving credit facility with a maximum borrowing limit of £100 million.

<sup>2</sup> The fair value hedge ineffectiveness is calculated as the difference between the change in the fair value of the derivative and the change in the fair value of the underlying asset or liability.

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**AP** Accounting policies

The Group recognises lease payments recorded under operating leases as income on a straight-line basis over the lease term. The Group accounts for finance leases as 'finance lease receivables' using an incremental borrowing rate where the interest rate implicit in sub-lease is not easily determinable.

## Section 4: Capital structure and financing costs continued

### 4.4 Leases recognised

#### 4.4.1 The Group as a lessee

| Amounts recognised on the balance sheet | Note | 2022<br>£m | 2021<br>£m | Type of financial instrument |
|-----------------------------------------|------|------------|------------|------------------------------|
| Lease liabilities                       |      | 397.5      | 448.4      | Financial liabilities        |

The lease liability includes £5.0m (2021: £18.8m) of future lease payments (undiscounted) for leases with termination options that could be exercised but are recognised at full term. The potential future cash outflows of £13.2m (2021: £23.1m) (undiscounted) have not been included in the lease liability because the Group is reasonably certain that the leases will not be extended. The total cash outflow for leases was £84.4m (2021: £106.2m) consisting of interest paid of £22.6m (2021: £23.6m) and capital element of £61.8m (2021: £82.6m).

Right-of-use assets are discussed in note 3.5, the maturity analysis of lease liabilities is included in note 4.2 and interest expense in note 4.3.

#### 4.4.2 The Group as a lessor

| Amounts recognised on the balance sheet | 2022<br>£m | 2021<br>£m | Type of financial instrument |
|-----------------------------------------|------------|------------|------------------------------|
| Lease receivables                       | 76.3       | 82.1       | Financial assets             |

The maturity analysis of lease receivables, including the undiscounted lease payments to be received, is as follows:

|                                              | 2022<br>£m  | 2021<br>£m  |
|----------------------------------------------|-------------|-------------|
| Within 1 year                                | 9.8         | 10.8        |
| Between 1-2 years                            | 9.7         | 9.6         |
| Between 2-3 years                            | 8.2         | 9.6         |
| Between 3-4 years                            | 7.7         | 8.2         |
| Between 4-5 years                            | 4.0         | 7.7         |
| More than 5 years                            | 70.2        | 73.0        |
| Total undiscounted lease payments receivable | 109.6       | 118.9       |
| Unearned finance income                      | (33.3)      | (36.8)      |
| <b>Net investment in lease receivables</b>   | <b>76.3</b> | <b>82.1</b> |

The expenses related to short-term leases, leases of low-value assets and income from sub-leases are immaterial and therefore there is no separate disclosure.

During 2020, the Group sublet a leased property. The sub-lease includes an option for the lessee to terminate the lease earlier than the Group's lease with its landlord. Management assessed it was reasonably certain that the break clause will not be exercised and, accordingly, determined that the sub-lease is a finance lease. This resulted in the recognition of a finance lease receivable of £70.5m as of 31 December 2022. This judgement was based on a number of factors as prescribed within IFRS 16 'Leases', such as incentive to lessee, importance of the location to the lessee's operations, shorter non-cancellable period of lease and the lessee's planned modifications to, and customisation of, the property.

## Section 4: Capital structure and financing costs continued

### 4.5 Financial instruments and the fair value hierarchy

#### AP Accounting policies

##### Financial instruments – classification of financial instruments

The Group classifies its financial instruments in the following measurement categories:

- those to be measured subsequently at fair value, either through other comprehensive income (FVOCI) or through profit or loss (FVPL), and
- those to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

##### Financial instruments – initial recognition

At initial recognition, the Group measures a financial instrument at its fair value plus, in the case of a financial instrument not at FVPL,

transaction costs that are directly attributable to the acquisition of the financial instrument. Transaction costs of financial instruments carried at FVPL are expensed in the consolidated income statement.

Financial instruments with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Purchases and sales of financial instruments are recognised on their trade date (ie the date the Group commits to purchase or sell the instrument). Financial instruments are derecognised when the rights to receive/pay cash flows from the financial instrument have expired or have been transferred such that the Group has transferred substantially all risks and rewards of ownership.

##### Debt instruments

Debt instruments are initially recognised at fair value less directly attributable transaction costs and are subsequently remeasured depending on the Group's business model for managing the liability and the cash flow characteristics of the liability. There are three measurement categories into which the Group classifies its debt instruments:

- **Amortised cost:** instruments that are held for collection payment of contractual cash flows are measured at amortised cost where these cash flows represent solely payments of principal and interest. Interest income/expense from these financial instruments is included in net finance costs using the effective interest rate method.
- **FVOCI:** instruments that are held for collection payment of contractual cash flows and for selling the financial instrument are measured at FVOCI where the instrument's cash flows represent solely payments of principal and interest. Movements in the carrying amount are taken through consolidated Other Comprehensive Income (OCI) except for the recognition of impairment gains or losses, interest income and foreign exchange gains/losses, which are recognised in the consolidated income statement. When the financial instrument is derecognised the cumulative gain/loss previously recognised in OCI is reclassified to the consolidated income statement and recognised in other gains/(losses).
- **FVPL:** instruments that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain/loss on a debt instrument that is measured at FVPL is recognised in the consolidated income statement and presented with net finance costs.

The Group reclassifies debt instruments when, and only when, its business model for managing those instruments changes.

##### Equity instruments

Investments in equity instruments are initially recognised at fair value and are subsequently remeasured at fair value with the movement recognised through the consolidated income statement, except where an election has been made for the movement to be recognised through OCI. An election can be made on initial recognition of equity instruments that are neither held-for-trading, or instruments acquired as part of a business combination. Once an election has been made all movements in fair value, with the exception of dividends, are presented through OCI and there is no subsequent reclassification of fair value gains/losses to the consolidated income statement following the derecognition of the investment. Dividends from such investments continue to be recognised in the consolidated income statement as other income when the Group's right to receive payments is established.

##### Impairment

The Group assesses, on a forward looking basis, the expected credit losses associated with its financial instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

##### Derivatives

Derivative financial instruments are initially recognised at fair value and are subsequently remeasured at fair value at the end of each reporting period with the movement recognised through the consolidated income statement, except where derivatives qualify for cash flow hedge accounting. The effective proportion of cash flow hedges is recognised in OCI and presented in the hedging reserve within equity. The cumulative gain/loss is subsequently reclassified to the consolidated income statement in the same period that the relevant hedged transaction is realised.

##### Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs incurred in connection with the borrowing of funds.

## Section 4: Capital structure and financing costs continued

### 4.3 Financial instruments and the fair value hierarchy continued

#### 4.5.1 Fair value hierarchy

The Group's financial assets and liabilities are classified based on the following fair value hierarchy:

- Level-1: quoted (unadjusted) prices in active markets for identical assets or liabilities.
- Level-2: other techniques for which all inputs that have a significant effect on the recorded fair value are observable, either directly or indirectly. With the exception of current financial instruments (which have a short maturity), the fair value of the Group's level-2 financial instruments were calculated by discounting the expected future cash flows at prevailing interest rates. The valuation models incorporate various inputs including foreign exchange spot and forward rates and interest rate curves. In the case of floating rate borrowings the nominal value approximates to fair value because interest is set at floating rates where payments are reset to market values at intervals of less than one year.
- Level-3: techniques using inputs that have a significant effect on the recorded fair value which are not based on observable market data.

Other financial instruments, where observable market data is not available, are carried at either amortised cost or cost (undiscounted cash flows) as a reasonable approximation of fair value.

During the year ended 31 December 2022, there were no transfers between fair value levels.

#### 4.5.2 Financial instruments and their fair value hierarchy classification

The following table analyses, by classification and category, the carrying value of the Group's financial instruments and identifies the level of the fair value hierarchy for the instruments carried at fair value.

| At 31 December 2022                                | Note  | Fair value hierarchy | FVPL<br>£m | FVOCI<br>£m | Derivatives<br>used for<br>hedging<br>£m | Amortised<br>cost<br>£m | Total<br>£m | Current<br>£m | Non-<br>current<br>£m |
|----------------------------------------------------|-------|----------------------|------------|-------------|------------------------------------------|-------------------------|-------------|---------------|-----------------------|
| <b>Financial assets</b>                            |       |                      |            |             |                                          |                         |             |               |                       |
| Lease receivables                                  | 4.4.2 | n/a                  | —          | —           | —                                        | 76.3                    | 76.3        | 5.9           | 70.4                  |
| Cash flow hedges                                   | 4.2.4 | Level-2              | —          | —           | 5.4                                      | —                       | 5.4         | 3.0           | 2.4                   |
| Non-designated foreign exchange forwards and swaps |       | Level-2              | 5.3        | —           | —                                        | —                       | 5.3         | 4.4           | 0.9                   |
| Cross-currency interest rate swaps                 | a     | Level-2              | —          | —           | 25.8                                     | —                       | 25.8        | 8.3           | 17.5                  |
| Originated loans receivable                        |       | n/a                  | —          | —           | —                                        | 0.5                     | 0.5         | —             | 0.5                   |
| Financial assets at fair value through P&L         |       | Level-3              | 17.2       | —           | —                                        | —                       | 17.2        | —             | 17.2                  |
| Financial assets at fair value through OCI         |       | Level-3              | —          | 0.8         | —                                        | —                       | 0.8         | —             | 0.8                   |
| Deferred consideration receivable                  |       | n/a                  | —          | —           | —                                        | 10.5                    | 10.5        | 2.0           | 8.5                   |
|                                                    |       |                      | 22.5       | 0.8         | 31.2                                     | 87.3                    | 141.8       | 23.6          | 118.2                 |
| <b>Other financial assets</b>                      |       |                      |            |             |                                          |                         |             |               |                       |
| Cash                                               | 4.5.4 | n/a                  | —          | —           | —                                        | 396.8                   | 396.8       | 396.8         | —                     |
| <b>Total financial assets</b>                      |       |                      | 22.5       | 0.8         | 31.2                                     | 484.1                   | 538.6       | 420.4         | 118.2                 |
| <b>Financial liabilities</b>                       |       |                      |            |             |                                          |                         |             |               |                       |
| Private placement loan notes                       | a     | n/a                  | —          | —           | —                                        | 285.5                   | 285.5       | 74.6          | 210.9                 |
| Other loan notes                                   |       | n/a                  | —          | —           | —                                        | 0.7                     | 0.7         | 0.7           | —                     |
| Non-designated foreign exchange forwards and swaps |       | Level-2              | 0.1        | —           | —                                        | —                       | 0.1         | 0.1           | —                     |
| Cross-currency interest rate swaps                 | a     | Level-2              | —          | —           | 1.0                                      | —                       | 1.0         | —             | 1.0                   |
| Deferred consideration payable                     |       | n/a                  | —          | —           | —                                        | 0.7                     | 0.7         | —             | 0.7                   |
| Put options of non-controlling interests           | d     | Level-3              | —          | 9.2         | —                                        | —                       | 9.2         | 9.2           | —                     |
|                                                    |       |                      | 0.1        | 9.2         | 1.0                                      | 286.9                   | 297.2       | 84.6          | 212.6                 |
| <b>Other financial liabilities</b>                 |       |                      |            |             |                                          |                         |             |               |                       |
| Overdrafts                                         | 4.5.4 | n/a                  | —          | —           | —                                        | 219.6                   | 219.6       | 219.6         | —                     |
| Lease liabilities                                  | 4.4.1 | n/a                  | —          | —           | —                                        | 397.5                   | 397.5       | 55.6          | 341.9                 |
| <b>Total financial liabilities</b>                 |       |                      | 0.1        | 9.2         | 1.0                                      | 904.0                   | 914.3       | 359.8         | 554.5                 |

## Section 4. Capital structure and financing costs, continued

### 4.5 Financial instruments and the fair value hierarchy, continued

Financial assets measured at amortised cost consist of cash, lease receivables, originated loans and deferred consideration receivable. The carrying value of cash is a reasonable approximation of its fair value due to the short-term nature of the instruments. Lease receivables, originated loans and deferred consideration receivable are measured at amortised cost using the effective interest rate method. Included in other investments are £0.8m (31 December 2021: £0.8m) of strategic investments in unlisted equity securities which are not held-for-trading and the Group elected to recognise at Fair Value through Other Comprehensive Income (FVOCI). During the period no dividends were received from, and no disposals were made of, strategic investments.

The financial assets at Fair Value through P&L (FVPL) relate to the Group's minority shareholding in companies as part of Capita Scaling Partners. The assets are revalued when reliable information on fair value becomes available, which is normally at each funding round.

Financial liabilities measured at amortised cost consist of loan notes, overdrafts, lease liabilities, credit facilities and deferred consideration payable. With the exception of certain series within the fixed rate private placement loan notes, the carrying value of financial liabilities are a reasonable approximation of their fair value. This is because either the interest payable is close to market rates or the liability is short-term in nature. The private placement loan note series that remain subject to a fixed rate of interest have an underlying carrying value of £144.9m (2021: £320.7m) and a fair value of £130.2m (2021: £278.2m). The carrying value of overdrafts is a reasonable approximation of fair value reflecting the short-term nature of the instruments. Lease liabilities and deferred consideration payable are measured at amortised cost using the effective interest rate method.

The Group's key financial liabilities are set out below:

**a. Private placement loan notes**

The private placement loan notes were issued in US dollars, pounds sterling, and euros at fixed interest rates. The Group manages its exposure to foreign exchange and interest rate movements through cross-currency interest rate swaps, interest rate swaps, and forward foreign exchange contracts.

**b. Bank facilities**

Details of the Group's bank facilities are provided in the Liquidity section above. At 31 December 2022, the total value of committed facilities was £288.4m, of which none was drawn (2021: total facilities of £385.7m of which £40.0m was drawn).

**c. Public sector subsidiary partnership payment**

The public sector subsidiary partnership payment liability represented the annual deferred payments to be made by AXELOS Limited. This liability was derecognised when AXELOS Limited was sold on 26 July 2021.

**d. Put options of non-controlling interests**

The liability at 31 December 2022 represents the present value of the cost to acquire the non-controlling interest in Fera Science Limited (see note 4.7). The option held by the non-controlling shareholder of Fera Science Limited has been exercisable since April 2021. A sensitivity analysis assuming a 10% increase/decrease in the earnings potential of the business results in a £0.9m increase/decrease in the valuation.

The option to acquire the non-controlling interest in AXELOS Limited expired without being exercised on 28 February 2021, and the related liability was derecognised. Upon inception of the option agreements, management determined that changes in the carrying amount would be recognised within equity. This has been applied consistently for all options entered into.

## Section 4: Capital structure and financing costs continued

## 1. Financial instruments and the fair value hierarchy continued

| At 31 December 2022                                      | Note  | Fair value hierarchy | FV, P, £m | FV, £m | Derivatives used for financing £m | Amortised cost £m | Total £m | Current £m | Non-current £m |
|----------------------------------------------------------|-------|----------------------|-----------|--------|-----------------------------------|-------------------|----------|------------|----------------|
| <b>Financial assets</b>                                  |       |                      |           |        |                                   |                   |          |            |                |
| Lease receivables                                        | 4.4.2 | n/a                  | —         | —      | —                                 | 82.1              | 82.1     | 6.6        | 75.5           |
| Cash flow hedges                                         | 4.2.4 | Level-2              | —         | —      | 0.9                               | —                 | 0.9      | 0.7        | 0.2            |
| Non-designated foreign exchange forwards and swaps       |       | Level-2              | 1.8       | —      | —                                 | —                 | 1.8      | 0.8        | 1.0            |
| Cross-currency interest rate swaps                       | a     | Level-2              | —         | —      | 30.2                              | —                 | 30.2     | 9.4        | 20.8           |
| Originated loans receivable                              |       | n/a                  | —         | —      | —                                 | 0.5               | 0.5      | —          | 0.5            |
| Financial assets at fair value through P&L               |       | Level-3              | 8.4       | —      | —                                 | —                 | 8.4      | —          | 8.4            |
| Financial assets at fair value through OCI               |       | Level-3              | —         | 0.8    | —                                 | —                 | 0.8      | —          | 0.8            |
|                                                          |       |                      | 10.2      | 0.8    | 31.1                              | 82.6              | 124.7    | 17.5       | 107.2          |
| <b>Other financial assets</b>                            |       |                      |           |        |                                   |                   |          |            |                |
| Cash                                                     | 4     | n/a                  | —         | —      | —                                 | 317.6             | 317.6    | 317.6      | —              |
| Cash included within disposal group assets held-for-sale | 2.8   | n/a                  | —         | —      | —                                 | 15.8              | 15.8     | 15.8       | —              |
| <b>Total financial assets</b>                            |       |                      | 10.2      | 0.8    | 31.1                              | 416.0             | 458.1    | 350.9      | 107.2          |
| <b>Financial liabilities</b>                             |       |                      |           |        |                                   |                   |          |            |                |
| Private placement loan note                              | a     | n/a                  | —         | —      | —                                 | 512.9             | 512.9    | 226.3      | 286.6          |
| Other loan notes                                         |       | n/a                  | —         | —      | —                                 | 1.3               | 1.3      | 0.3        | 1.0            |
| Credit facilities                                        | b     | Level-2              | —         | —      | —                                 | 46.0              | 46.0     | 46.0       | —              |
| Cash flow hedges                                         | 4.2.4 | Level-2              | —         | —      | 1.8                               | —                 | 1.8      | 0.8        | 1.0            |
| Non-designated foreign exchange forwards and swaps       |       | Level-2              | 4.7       | —      | —                                 | —                 | 4.7      | 4.3        | 0.4            |
| Cross-currency interest rate swaps                       | a     | Level-2              | —         | —      | 2.2                               | —                 | 2.2      | —          | 2.2            |
| Deferred consideration payable                           |       | n/a                  | —         | —      | —                                 | 0.7               | 0.7      | —          | 0.7            |
| Put options of non-controlling interests                 | d     | Level-3              | —         | 8.6    | —                                 | —                 | 8.6      | 8.6        | —              |
|                                                          |       |                      | 4.7       | 8.6    | 4.0                               | 560.9             | 578.2    | 286.3      | 291.9          |
| <b>Other financial liabilities</b>                       |       |                      |           |        |                                   |                   |          |            |                |
| Overdrafts                                               | 4.5.4 | n/a                  | —         | —      | —                                 | 231.9             | 231.9    | 231.9      | —              |
| Lease liabilities                                        | 4.4.1 | n/a                  | —         | —      | —                                 | 448.4             | 448.4    | 61.6       | 386.8          |
| <b>Total financial liabilities</b>                       |       |                      | 4.7       | 8.6    | 4.0                               | 1,241.2           | 1,258.5  | 579.8      | 678.7          |

## Section 4: Capital structure and financing costs continued

### 4.5 Financial instruments at the fair value hierarchy continued

The following table shows the reconciliation from the opening balances to the closing balances for Level-3 fair values.

|                                                                             | Put options,<br>written, at<br>cost, net of<br>premiums<br>£m | Put options,<br>written,<br>at cost, net of<br>premiums<br>£m | Investments<br>FVPL and<br>FVOCI<br>£m |
|-----------------------------------------------------------------------------|---------------------------------------------------------------|---------------------------------------------------------------|----------------------------------------|
| At 1 January 2021                                                           | 27.1                                                          | 99.7                                                          | 2.3                                    |
| Payments made                                                               | (4.7)                                                         | —                                                             | —                                      |
| Change in put-options recognised in other comprehensive income <sup>1</sup> | —                                                             | (91.1)                                                        | —                                      |
| Additions                                                                   | —                                                             | —                                                             | 0.3                                    |
| Reclassification from other investment categories                           | —                                                             | —                                                             | 4.3                                    |
| Gain in fair value recognised in income statement                           | —                                                             | —                                                             | 2.2                                    |
| Gain in fair value recognised in other comprehensive income                 | —                                                             | —                                                             | 0.1                                    |
| Discount unwind recognised in the income statement                          | 0.4                                                           | —                                                             | —                                      |
| Business disposal                                                           | (22.8)                                                        | —                                                             | —                                      |
| At 31 December 2021                                                         | —                                                             | 8.6                                                           | 9.2                                    |
| Change in put-options recognised in other comprehensive income              | —                                                             | 0.6                                                           | —                                      |
| Additions                                                                   | —                                                             | —                                                             | 2.3                                    |
| Reclassification from other investment categories                           | —                                                             | —                                                             | 0.4                                    |
| Gain in fair value recognised in income statement                           | —                                                             | —                                                             | 5.9                                    |
| Gain in fair value recognised in other comprehensive income                 | —                                                             | —                                                             | 0.2                                    |
| At 31 December 2022                                                         | —                                                             | 9.2                                                           | 18.0                                   |

1. The change in put options recognised in other comprehensive income represents the change in the fair value of the put options written, net of the change in the fair value of the premiums received.

### 4.5.3 Borrowings

Details of the Group's current ROF facility are shown in the above liquidity section (see note 4.5.2b).

Borrowing costs of £2.4m were capitalised in the year (2021: £1.9m). At 31 December 2022, the Group's private placement loan note series had a GBP equivalent underlying carrying value of £260.5m (2021: £184.8m) (see note 4.5.2a) analysed as follows:

| Maturity                                  | Denomination | Interest rate<br>% | Nominal value<br>£m |
|-------------------------------------------|--------------|--------------------|---------------------|
| 27 October 2023                           | GBP          | 2.520              | 27.5                |
| 22 January 2025                           | GBP          | 3.540              | 7.4                 |
| 22 April 2025                             | GBP          | 3.670              | 22.3                |
| 27 October 2026                           | GBP          | 2.770              | 18.6                |
| 22 January 2027                           | GBP          | 3.580              | 23.8                |
| <b>Total GBP denominated</b>              | <b>GBP</b>   |                    | <b>99.6</b>         |
| 22 January 2023                           | USD          | 3.450              | 39.4                |
| 27 October 2023                           | USD          | 3.370              | 17.8                |
| 22 January 2025                           | USD          | 3.650              | 74.3                |
| 27 October 2026                           | USD          | 3.590              | 19.3                |
| 22 January 2027                           | USD          | 3.800              | 27.5                |
| <b>Total USD denominated<sup>1</sup></b>  | <b>USD</b>   |                    | <b>178.3</b>        |
| 10 November 2027                          | EUR          | 3.625              | 53.4                |
| <b>Total euro denominated<sup>2</sup></b> | <b>EUR</b>   |                    | <b>53.4</b>         |

1. Excludes interest on the USD 100m loan which is not a financial liability. Excludes interest on the USD 100m loan which is not a financial liability. Excludes interest on the USD 100m loan which is not a financial liability.

2. Excludes interest on the EUR 50m loan which is not a financial liability.

## Section 4: Capital structure and financing costs continued

### 4.5 Financial instruments and the fair value hierarchy continued

#### 4.5.4 Cash, cash equivalents and overdrafts

The Group has a notional cash pool under which the bank may net cash balances with overdrafts held by other Group companies in the arrangements. The overdraft balances shown below are fully offset by credit balances in the same arrangement. The Group's gross cash position is shown in the table below.

|                                                                                          | 2022<br>£m   | 2021<br>£m   |
|------------------------------------------------------------------------------------------|--------------|--------------|
| Cash and cash equivalents                                                                | 396.8        | 317.6        |
| Overdrafts                                                                               | (219.6)      | (231.9)      |
| Cash, net of overdrafts, included in disposal group assets and liabilities held for sale | —            | 15.8         |
| <b>Cash, cash equivalents and overdrafts</b>                                             | <b>177.2</b> | <b>101.5</b> |

#### 4.5.5 Issued share capital

|                                           | 2022<br>No m | 2021<br>No m | 2022<br>£m | 2021<br>£m |
|-------------------------------------------|--------------|--------------|------------|------------|
| <b>Allotted, called up and fully paid</b> |              |              |            |            |
| Ordinary shares of 2 1/15p each           |              |              |            |            |
| At 1 January                              | 1,684.1      | 1,671.1      | 34.8       | 34.5       |
| Issue of share capital                    | —            | 13.0         | —          | 0.3        |
| At 31 December                            | 1,684.1      | 1,684.1      | 34.8       | 34.8       |
| <b>Share premium</b>                      |              |              |            |            |
| Ordinary shares of 2 1/15p each           |              |              |            |            |
| At 1 January                              | —            | —            | 1,145.5    | 1,143.3    |
| VAT refund on rights issue issuance costs | —            | —            | —          | 2.2        |
| At 31 December                            | —            | —            | 1,145.5    | 1,145.5    |

In 2018 the Group offered a rights issue to existing shareholders, raising £700.7m less issuance costs of £38.0m, which was capitalised to share capital and share premium. The issuance costs included VAT that was, at the time, treated as irrecoverable. In 2021 it was agreed with HMRC that £2.2m of this VAT was recoverable and was refunded to the Group.

|                                     | 2022<br>No m | 2021<br>No m | 2022<br>£m | 2021<br>£m |
|-------------------------------------|--------------|--------------|------------|------------|
| <b>Treasury shares</b>              |              |              |            |            |
| Ordinary shares of 2 1/15p          |              |              |            |            |
| At 1 January                        | —            | 2.3          | —          | (0.1)      |
| Issued on exercise of share options | —            | (2.3)        | —          | 0.1        |
| At 31 December                      | —            | —            | —          | —          |

During the year, the Group did not purchase any treasury shares (2021: none) and did not allot nor issue any treasury shares (2021: 2,299,955 whose aggregate nominal value was £47,532). The total consideration received in respect of the shares allotted during 2021 was £nil.

|                                      | 2022<br>No m | 2021<br>No m | 2022<br>£m | 2021<br>£m |
|--------------------------------------|--------------|--------------|------------|------------|
| <b>Employee benefit trust shares</b> |              |              |            |            |
| Ordinary shares of 2 1/15p           |              |              |            |            |
| At 1 January                         | 18.1         | 12.6         | (8.0)      | (11.1)     |
| Shares purchased                     | —            | 13.0         | —          | (0.3)      |
| Issued on exercise of share options  | (8.8)        | (7.5)        | 3.8        | 3.4        |
| At 31 December                       | 9.3          | 18.1         | (4.2)      | (8.0)      |

The Group will use shares held in the Employee Benefit Trust (EBT) shares to satisfy future requirements for shares under the Group's share option and long-term incentive plans. On 19 April 2021, 13m ordinary 2 1/15p shares (2021: nil) were allotted to the EBT for an aggregate nominal value of £268,667 to satisfy exercises under the Group's share plans. The total consideration received in respect of these shares was £268,667. During the year, 8,770,217 (2021: 7,560,173) shares with a value of £3.8m (2021: £3.4m) were transferred out of the EBT to satisfy exercises under the Group's share option and long-term incentive plans. The total consideration received in respect of these shares was £nil (2021: £nil).

The Group has an authority to repurchase up to 10% of its issued share capital.

## Section 4. Capital structure and financing costs continued

### 4.7 Group composition and non-controlling interests

The Group's subsidiaries are listed in notes 7.3.4 and 7.3.17 of the Parent Company financial statements on pages 219 and 224 to 227.

The Group holds a majority of the voting rights in all of its subsidiaries and the directors have determined that, other than the entity commented on below, in each case the Group exercises de facto control.

On 23 September 2014, the Secretary of State for the Department for Energy and Climate Change granted Smart DCC Limited (DCC), a wholly-owned subsidiary of the Group, a licence to establish and manage the smart metering communications infrastructure, governed by the Smart Energy Code. Each year the Group reassess whether it has control over DCC as required under IFRS 10. The Group's ability to control the relevant activities of DCC is restricted by DCC's operating licence. The power that the Group has over DCC's relevant activities by virtue of owning it is limited (given the restrictions in the licence). That power is held by the board of DCC where the Group has minority representation in compliance with the licence. Consequently, the Group has not consolidated DCC within its Group financial statements. The disclosure of related party transactions with DCC is included in note 6.1.

## Section 5: Employee benefits

This section details employee related items that are not explained elsewhere in the financial statements.

In this section you will find disclosures about:

5.1 Share-based payment plans

5.2 Pensions

5.3 Employee benefit expense

**AP** Denotes accounting policies

**⚙** Denotes significant accounting judgements, estimates and assumptions

### Key highlights

Additional funding into  
the defined benefit schemes

**£38.6m**

(2021: £155.5m)

Net defined benefit pension surplus

**£39.6m**

(2021: surplus £5.8m)

Employee benefit expense

**£1,790.1m**

(2021: £1,767.1m)

The net defined benefit pension position on an accounting basis moved from a small net asset at the start of the year to a larger net asset by 31 December 2022. As part of the deficit funding plan £38.6m of additional funding was paid into the defined benefit schemes.

| Net defined benefit pension asset                                    | 2022<br>£m  | 2021<br>£m | 2020<br>£m  |
|----------------------------------------------------------------------|-------------|------------|-------------|
| Defined benefit obligation                                           | (1,136.1)   | (1,791.5)  | 655.4       |
| Fair value of plan assets                                            | 1,175.7     | 1,797.3    | (621.6)     |
| <b>Net defined pension asset after effect of asset ceiling limit</b> | <b>39.6</b> | <b>5.8</b> | <b>33.8</b> |

The main reason for the movement in the net defined benefit pension position was the deficit funding contributions (£38.6m) paid into the Capita Pension and Life Assurance Scheme (CPLAS) (plus a net £0.2m deficit funding contribution in respect of other schemes). Both the value attributed to the pension liabilities and the value of the assets fell materially over the year predominantly due to the material increase in the yields available on both long-dated Government and corporate bonds. Due to the investment strategy adopted by the CPLAS Trustee Board the impact of these changes has been broadly hedged so that the value of the assets has moved to a similar degree to the value of the liabilities. The schemes are highly sensitive to the change in discount rates (with a 0.5% p.a. change resulting in a c.£87.5m impact) and in future inflation expectations (with a 0.5% p.a. change resulting in a c.£48.8m impact).

The CPLAS is the Group's main defined benefit scheme. The valuation of liabilities for funding purposes (the actuarial valuation) differs to the valuation for accounting purposes (which are shown in these financial statements) mainly due to different assumptions being used and different market conditions at the different valuation dates (the effective date for the actuarial valuation is 31 March). The assumptions used for funding purposes are scheme specific and allow for an appropriate amount of prudence, with the discount rate being based on the actual assets of the CPLAS. While for accounting purposes the assumptions are determined on a best estimate basis in accordance with IAS 19, with the discount rate being based on the yields available on high quality corporate bonds of appropriate currency and term. Management estimate that at 31 December 2022 the net asset of the CPLAS scheme was broadly the same on a funding basis (ie the funding assumption principles adopted for the full actuarial valuation at 31 March 2020) as that on an accounting basis.

## Section 5. Employee benefits continued

### 5.1 Share-based payment plans

The Group operates a number of executive and employee equity-settled share schemes.

#### AP Accounting policies

The fair value of the equity instrument granted is measured at grant date and is recognised as an expense over the vesting period, which ends on the date on which the relevant employees become fully entitled to the award. Fair value is determined using an option pricing model, only taking into account vesting conditions linked to the price of the shares of the Company (market conditions).

No expense is recognised for awards that do not ultimately vest as a result of not meeting performance or service conditions. Where all service and performance vesting conditions have been met, the awards are treated as vesting irrespective of whether or not the market condition is satisfied, as market conditions have been reflected in the fair value of the equity instruments.

At each balance sheet date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of non-market conditions, the number of equity instruments that will ultimately vest or, in the case of an instrument subject to a market condition, be treated as vesting as described above. The movement in cumulative expense since the previous balance sheet date is recognised in the consolidated income statement, with a corresponding adjustment to equity.

Where the terms of an award are modified or a new award is designated as replacing a cancelled or settled award, the cost based on the original award terms continues to be recognised over the original vesting period adjusted for the incremental fair value of any modification (ie the difference between the fair value of the original award and the fair value of the modified award, both as measured on the date of the modification). No reduction is recognised if this difference is negative.

Where an award is cancelled, it is treated as if it had vested on the date of cancellation, and any cost not yet recognised in the consolidated income statement for the award is expensed immediately. Any compensation paid up to the fair value of the award at the cancellation or settlement date is deducted from equity, with any excess over the fair value being treated as an expense in the income statement.

The expense recognised for share-based payments (before tax) in respect of employee services received during the year to 31 December 2022 was £5.4m (2021: £1.2m), all of which arises from equity-settled share-based payment transactions. Details of the schemes are as follows:

#### Deferred annual bonus plan

This scheme is applicable to Executive directors. Under this scheme, awards are made annually, consisting of only deferred shares, which are linked to the payout under the annual bonus scheme (details of which are contained in the directors' remuneration report on pages 99 to 122).

The value of deferred shares is determined by the pay-out under the annual bonus scheme: half of the annual bonus is paid in cash and the remainder is deferred into shares under the deferred annual bonus plan or the Capita executive plan. Directors have the option to defer up to 100% of their annual bonus into deferred shares or net bonus into a restricted share award. The deferred restricted shares are held for a period of three years from the date of award, during which they are not forfeitable, except in the case of dismissal for gross misconduct.

The weighted average share price of options at the date of exercise in 2022 was £0.22 (2021: £0.33). The weighted average share price during the year was £0.26 (2021: £0.43).

The total cash value of the deferred shares awarded during the year was £0.2m (2021: £n.b.).

#### Long-term incentive plans (LTIPs)

The structure of the Group's LTIP schemes was approved at the Company's AGM in 2017. From 2021, no new awards will be granted under the LTIP although the 2020 awards are yet to vest.

For the 2019 award, 75% of the award was equally weighted between free cash flow, EBIT margin and organic revenue growth, with the remaining 25% split equally between customer satisfaction and employee engagement, measured over a three-year period. Threshold vesting (25%) for each measure is dependent upon: free cash flow reaching £190m, EBIT margin exceeding 8%, organic revenue growth to £3,900m, six point positive swing in NPS for both customer satisfaction and employee engagement. Target vesting (50%) for each measure is dependent upon: free cash flow reaching £210m, EBIT margin exceeding 10%, organic revenue growth to £3,950m, eight point positive swing in NPS for both customer satisfaction and employee engagement. Maximum vesting (100%) for each measure is dependent upon: free cash flow reaching £250m, EBIT margin of 12%, organic revenue growth to £4,050m, 12 point positive swing in net promoter score (NPS) for both customer satisfaction and employee engagement. Awards are also subject to an underpin based on an assessment of underlying financial and operational performance.

The 2020 award is split into three equal tranches that vest on the first, second and third anniversary of the grant date. The first tranche in 2020 was subject to a retention element which will vest in full on each annual vesting date, with the remaining 50% subject to a performance condition of net debt. Threshold vesting (25%) is dependent on net debt falling to £872m, target vesting (50%) is dependent on net debt falling to £822m and maximum vesting (100%) is dependent on net debt being below £772m. Tranches 2 and 3 are subject to the retention element only apart from the CEO's award which is subject to relative TSR and responsible business scorecard measures.

Details of the LTIP awards made to executive directors over the same period are set out in the directors' remuneration report on page 115.

All of the above awards are subject to a performance underpin – assessment of the underlying financial and operational performance of Capita over the performance period.

## Section 5: Employee benefits continued

### 5.1 Share-based payment plans continued

#### Capita Executive Plan 2021

The Capita Executive Plan was approved by shareholders at the 2021 AGM. Under this plan, restricted share awards (RSAs) are granted to executives.

With the exception of the executive directors, RSAs granted in 2021 and 2022 are split into three equal tranches that may vest on the first, second and third anniversary of the grant date. The awards are not subject to a performance underpin.

Details of the Capita Executive Plan RSAs made to executive directors and the associated underpins are set out in the directors' remuneration report, on page 116.

|                            | 2022<br>£m | 2021<br>£m |
|----------------------------|------------|------------|
| Outstanding at 1 January   | 46.4       | 48.5       |
| Awarded during the year    | 28.5       | 15.8       |
| Exercised                  | (8.8)      | (9.8)      |
| Forfeited                  | (24.4)     | (8.1)      |
| Outstanding at 31 December | 41.7       | 46.4       |
| Exercisable at 31 December | —          | —          |

The weighted average remaining contractual life of the above shares outstanding at 31 December 2022 was 1.3 years (2021: 1.0 years).

#### All schemes

The fair value of the options granted/awarded during the year was £0.22 per share (2021: £0.41 per share). None of the existing option schemes have exercise prices.

The fair value for current share scheme issues is effectively the market price of a Capita share at the date of grant. Accordingly, no assumptions have been disclosed.

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

### 5.2 Pension schemes

#### AP Accounting policies

##### Defined contribution pension schemes

The Group maintains a number of defined contribution pension schemes and for these schemes the Group has no further payment obligations once the contributions have been paid. The contributions are recognised as an employee benefit expense in the consolidated income statement as the related service is provided and as they fall due.

##### Defined benefit pension schemes

In addition, the Group operates a defined benefit pension scheme and participates in a number of other defined benefit pension schemes, all of which require contributions to be made to separate trustee-administered funds. The costs of providing benefits under these schemes are determined separately for each scheme using the projected unit credit method, which attributes entitlement to benefits to the current period (to determine current service costs) and to the current and prior periods (to determine the present value of the defined benefit obligation) and is based on actuarial advice. Past service costs are recognised immediately in the consolidated income statement.

When a settlement (eliminating all obligations for benefits already accrued) or a curtailment (reducing future obligations as a result of a material reduction in the scheme membership or a reduction in future entitlement) occurs, the obligation and related plan assets are remeasured using current actuarial assumptions and the resultant gain/loss recognised in the consolidated income statement during the period in which the settlement or curtailment occurs.

Remeasurements of the net defined benefit asset/liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in other comprehensive income and will not be reclassified to the consolidated income statement. The Group generally determines the net interest expense/income on the net defined benefit asset/liability for the year by applying the discount rate used to measure the defined benefit obligation at the beginning of the year to the then net defined benefit asset/liability, taking into account any changes in the net defined benefit asset/liability during the year as a result of contributions and benefit payments. However, due consideration is made to events which require the net interest expense/income on the net defined benefit asset/liability to be remeasured over the course of the year.

Current and past service costs are charged to operating profit while the net interest cost is included within net finance costs.

The net asset/(liability) in the consolidated balance sheet with respect to the defined benefit pension schemes comprises the total for each scheme or group of schemes of the present value of the defined benefit obligation (using a discount rate based on high quality corporate bonds), less the fair value of plan assets out of which the obligations are to be settled directly. The policy to determine fair value of plan assets is detailed in the note below. The value of a net pension benefit asset is restricted to the present value of any amount the Group expects to recover by way of refunds from the plan or reductions in the future contributions.

## Section 5: Employee benefits continued

### 5.2 Pensions continued



#### Significant accounting judgements, estimates and assumptions

The measurement of defined benefit obligations – the accounting cost of these benefits and the present value of pension liabilities involve judgements about uncertain events including such factors as the life expectancy of members, the salary progression of current employees, price inflation and the discount rate used to calculate the net present value of the future pension payments. The Group uses estimates for all of these factors in determining the pension costs and liabilities incorporated in the consolidated financial statements. The assumptions reflect historical experience and judgement regarding future expectations.

The Group continued to set RPI inflation in accordance with the market break-even expectations less an inflation risk premium. The inflation risk premium has remained at 0.25% pa. For CPI, the Group retained the assumed difference between RPI and CPI at an average of 0.65% pa.

Short-term inflation expectations continued to rise due to the global economic recovery from the initial phase of Covid-19, combined with supply constraints in certain sectors such as energy. Current inflation levels exceed 10% pa. This will have an impact on pension increases that are linked to inflation and this impact, where applicable, has been reflected in the disclosures. It should be noted that a material proportion of pension increases are capped (at different levels, but the main cap is 5% pa) with some caps applying annually and others applying over a period of years.

The impact of Covid-19 on the effects of future life expectancy continues to be uncertain. The pandemic is likely to have an impact on the setting of appropriate life expectancy assumptions and models for future improvements will need to consider whether the experiences in 2020 and 2021 are a short-term phenomenon, and if the pandemic will influence future mortality in other ways. For example, the pressure on health services may mean that progress against other causes of death such as cancer is slower than previously expected, meaning an assumption of a lower rate of mortality improvements might be appropriate. Alternatively, the surviving population may be in better health than those dying from Covid-19, meaning that it might be expected that the remaining members live slightly longer. It is still too early to draw conclusions as to what impact Covid-19 might have on future life expectancy, however, some allowance has been reflected for actual mortality experienced in 2020 and 2021 by making a refinement in an initial addition parameter used in the future mortality improvement assumptions from 0.5% to 0.25% (which makes an allowance for a decrease in initial rates of longevity improvement stemming from Covid-19) and which results in the life expectancy reducing by around 0.1 years (around 0.4% of liabilities).

#### Pension expense included in the consolidated income statement

|                                                                                | 2022<br>£m  | 2021<br>£m  |
|--------------------------------------------------------------------------------|-------------|-------------|
| <b>Defined contribution scheme</b>                                             | <b>55.2</b> | <b>60.2</b> |
| <b>Defined benefit schemes</b>                                                 |             |             |
| Current service cost                                                           | 4.4         | 6.3         |
| Administration costs                                                           | 3.9         | 3.5         |
| Past service cost                                                              | 0.6         | (0.2)       |
| Effect of settlements                                                          | 0.1         | (0.7)       |
| Interest cost                                                                  | (3.6)       | 1.5         |
| <b>Total defined benefit schemes</b>                                           | <b>5.4</b>  | <b>10.4</b> |
| <b>Total charged to profit before tax in the consolidated income statement</b> | <b>60.6</b> | <b>70.6</b> |

At 31 December 2022, retirement obligations were disclosed in relation to 9 (2021: 10) defined benefit pension schemes. The main defined benefit scheme is the Capita Pension and Life Assurance Scheme.

#### The Capita Pension and Life Assurance Scheme (CPLAS)

CPLAS is the Group's main defined benefit scheme, which closed to future accrual for most members in 2017 (with around 200 members continuing to accrue benefits – out of a total membership of around 16,600 members). Details of the CPLAS and other schemes' net surplus/deficit position are given at the bottom of the table below, which shows the movements from the opening to the closing balance of the net defined benefit asset/liability. Events have occurred in the CPLAS that has led to its income statement being remeasured during the year.

Responsibility for the operation and governance of the CPLAS lies with a corporate Trustee which is independent of the Group. The Trustee Board is required by law to act in the interest of the CPLAS's beneficiaries in accordance with the rules of the CPLAS and relevant legislation (which includes the Pension Schemes Act 1993, the Pensions Act 1995 and the Pensions Act 2004). The nature of the relationship between the Group and the Trustee Board is also governed by the rules of the CPLAS and relevant legislation. The Trustee Board is chaired by an independent Trustee.

The assets of the CPLAS are held in a separate fund (administered by the Trustee Board) to meet long-term pension liabilities to beneficiaries. The Trustee Board invest the assets in accordance with their Statement of Investment Principles, which is regularly reviewed. During 2021, the Trustee Board delegated investment strategy decisions to a third party manager, however, the Trustee Board maintained overall oversight of the investment strategy.

A full actuarial valuation of the scheme is carried out every three years by an independent actuary for the Trustee Board, with the last full actuarial valuation carried out on 31 March 2020. The purpose of that valuation is to design a funding plan to ensure that the CPLAS has sufficient assets available to meet future benefit payments, based on assumptions agreed between the Trustee Board and the Group. The 31 March 2020 actuarial valuation showed a funding deficit of \$130.2m (£135.1m). This equates to a funding level of 89.0% (31 March 2017: 86.1%).

## Section 5: Employee benefits continued

### 5.2 Pensions continued

As a result of the funding valuation, the Group and the Trustee Board agreed the following plan to eliminate the deficit, effective from 1 July 2021:

|                                   | 2021   | 2022   | 2023   |
|-----------------------------------|--------|--------|--------|
| Deficit contribution <sup>1</sup> | £59.0m | £30.0m | £30.0m |

1. The agreed contributions take allowance for additional contributions totalling £113.9m payable by the Group between 1 April 2021 and 30 June 2021 in order to bring the plan in line with the previous agreement dated 31 December 2018. In line with CPLAS entered into the Capital Markets Partnership Limited Partnership and in respect of a Section 40 letter from the Trustee Board, the agreed contributions relate to the payment of amounts of the deficit contributions not payable for 6 months from the date of the full actuarial valuations being completed and satisfactory provisions of law.

2. In addition to 2023, the Group will pay £31.0m over 2024 to 2026 to ensure compliance with CPLAS.

In addition to the above, the Group has agreed to make additional, non-statutory, contributions of £15m each year in 2024, 2025 and 2026 to meet a secondary funding target. The aim of which is to target, by 2026, the position of having sufficient assets to invest in a portfolio of low risk assets with a low dependency covenant that will generate income to pay members' benefits as they fall due.

The next full actuarial valuation is due to be carried out with an effective date of 31 March 2023 and as part of that valuation the contribution requirements will be reviewed and if necessary amended. For the purpose of these accounts, an independent qualified actuary projected the results of the 31 March 2020 actuarial valuation to 31 December 2022 taking account of the relevant accounting requirements.

Approximate funding updates are produced at each scheme anniversary when a full actuarial valuation is not being undertaken. The most recent of these, at 31 March 2022, showed a funding level of 104% on a Technical Provisions basis.

The Group expects to contribute around £52m to the CPLAS during 2023. This includes the acceleration of agreed deficit contributions on a pound for pound basis as noted above.

#### Other defined benefit schemes

The total employer contributions to the 'Other' schemes during 2023 are estimated to be £3m.

##### Admitted Body arrangements

For the Admitted Body scheme, under which benefits continued to accrue until the contract ceased on 16 January 2020, the Group was required to pay regular contributions as decided by the Scheme Actuary and as detailed in the scheme's Schedule of Contributions. On 2 February 2022 the scheme confirmed that, in accordance with their funding strategy statement, a cessation valuation at 16 January 2020 had been carried out and an exit credit payment of £192,587 was due from the scheme to the Group. The payment was received by the Group on 17 March 2022 and no further amounts are due to the Group with the scheme's assessed liability to the Group now settled.

##### Other UK schemes

- Three segregated sections in an industry-wide scheme under which defined benefits are not continuing to accrue. The latest full actuarial valuations (at 31 December 2018) showed that two of these sections were in surplus and therefore no deficit contributions were required. The third section showed a small deficit but the Trustees agreed that no deficit contributions would be required. The actuarial valuations as at 31 December 2021 are currently in progress and as part of those valuations the contribution requirements will be reviewed, and if necessary amended. There is no cross subsidy with other employer sections.
- Participation in a non-associated multi-employer scheme under which defined benefits are not continuing to accrue. The latest full actuarial valuation (at 30 September 2020) resulted in the Group requiring to pay deficit contributions of initially £0.4m pa (which increase each year by 5.5% pa) until 2028. If the Group were to cease to be a participating employer in this scheme there would be an exit debt payable. At 30 September 2021 this was estimated at £8.9m.

##### Overseas defined benefit schemes

The Group is responsible for an Irish defined benefit scheme which is classed as a cross-border scheme where the beneficiaries of the scheme have their liabilities and the trustees hold assets, denominated in euro. The scheme is governed under UK regulations and subject to further requirements applying to cross-border schemes. There are two segregated sections in the scheme. The latest full actuarial valuation (at 31 March 2022) showed a funding surplus for both the main section and the other section and consequently no deficit contributions are required for either section. There are no members left accruing benefits.

The Group is also responsible for two Swiss schemes that provide defined contribution benefits but with certain guarantees and are therefore reported as defined benefit schemes under IAS 19. They are administered and governed through collective foundations which are separate legal entities. Benefits are continuing to accrue in these schemes.

##### Additional defined benefit schemes

There are a further 46 (2021: 48) defined benefit pension arrangements in which various Capita businesses participated during 2022. Of these arrangements, 41 (2021: 41) relate to participation in funded and unfunded public sector schemes (referred to as Admitted Body Arrangements as described above), however contractual protections are in place allowing actuarial and investment risk to be passed to the end customer via recoveries for contributions paid. The nature of these arrangements vary from contract to contract but typically allow for the majority of contributions payable to the schemes in excess of an initial rate agreed at the inception to be recovered from the end customer, as well as exit payments (for funded schemes) payable to the schemes at the cessation of the contract such that the Group's net exposure to actuarial and investment risk is immaterial.

It is estimated that around £12m of employer contributions were paid to these 46 schemes during 2022.

## Section 5: Employee benefits continued

### 5.2 Pensions continued

#### Risks associated with the Group's pension schemes

The defined benefit pension schemes expose the Group to various risks, with the key risks set out below:

**Investment risk:** the schemes invest in a wide range of assets with a view to provide long-term investment returns at particular levels. There is a risk that investment returns are lower than expected which, in isolation, could result in a worsening of the funding position of the schemes.

**Interest rate risk:** the IAS 19 discount rate is derived based on the yields available on good quality corporate bonds of suitable duration. If these yields decrease then, in isolation, this would increase the value placed on the IAS 19 obligation and result in a worsening of the funding position of the schemes.

**Inflation risk:** the liabilities of the schemes are linked to future levels of inflation. If future inflation is higher than expected then this would result in the cost of providing the benefits increasing and thereby worsening the funding position of the schemes.

**Longevity risk:** if members live longer than expected, then pensions will be paid for a longer time which will increase the value placed on the liabilities and therefore worsen the funding position of the schemes.

**Environmental Social and Governance (ESG) risk:** ESG risk relates to these issues having a detrimental impact on financial returns. The fiduciary manager has policies in place to reduce this risk, although there is a higher risk in older externally held assets.

To manage these risks, the Group and the trustees carry out regular assessments of them. For CPLAS, the main defined benefit scheme, the following actions have been taken:

- The CPLAS Trustee Board has entered into two bulk annuity contracts with an insurer in respect of a small number of high individual liability pensioner members (one in 2015 and the second in late 2017) with total value included in the Assets at 31 December 2022 of £50.1m (2021: £67.8m).
- The CPLAS Trustee Board has entered into a Liability Driven Investment programme. The level of risk that is managed by this programme is set by various market-related and funding trigger points.

Together, these actions have led to the Trustee Board hedging (interest rate and inflation) a high proportion of the CPLAS's liabilities. At 31 December 2022 around 95% of CPLAS's liabilities measured on the Trustee Board's long-term funding basis was hedged. As the funding level improves it is planned to further increase the level of hedging. Despite the market volatility during the last quarter of 2022, the CPLAS held sufficient liquid assets to meet its collateral calls and maintain its hedged positions throughout the year, as well as holding a sufficient buffer against future adverse movements. The fiduciary manager has confirmed that the investment strategy held up well despite the market volatility and that they continue as planned with the current strategy (which involved the selling down of more illiquid holdings in any event).

The hedging aims to match the value of the assets to the movement in liabilities (on a funding basis) arising from changes in market expectations of future inflation rates and future gilt yields. This is to help protect and reduce volatility in funding valuations which are used to determine the cash contribution requirements to the scheme. As these accounting disclosures use the yields available on corporate bonds to determine the accounting liabilities, the hedging may not have the same impact against changes as they do on a funding valuation. Although credit spreads (difference between the yields available on long-dated corporate bonds and long-dated government bonds) have been volatile over the year, they have fallen back down towards levels seen at the start of the year. This means that the hedge has broadly had the same impact on the funding position of the scheme and the accounting disclosures at the year-ends.

To illustrate how sensitive the value of the defined benefit obligations is to different market conditions, the table below shows what the resulting defined benefit obligation would be if the assumptions were changed as shown (assuming all other assumptions remain constant):

| Change in assumptions compared with 31 December 2022 actuarial assumptions                | Group Total<br>£m |
|-------------------------------------------------------------------------------------------|-------------------|
| Base defined benefit obligation                                                           | 1,136.1           |
| 0.5% pa decrease in discount rate                                                         | 1,223.6           |
| 0.5% pa increase in salary increases                                                      | 1,137.4           |
| 0.5% pa increase in inflation (and related assumption, e.g. salary and pension increases) | 1,184.9           |
| 1 year increase in life expectancy                                                        | 1,169.7           |

Due to the higher interest rate environment and recent market volatility, please note the change in method used to prepare the sensitivity analysis (analysis from 0.1% pa to 0.5% pa).

## Section 5: Employee benefits continued

## 5.2 Pensioner's Jointed

### Assets and liabilities

Under IAS 19, plan assets must be valued at their fair value on the balance sheet date. The plan assets are made up of quoted and unquoted investments, and asset valuations have been sourced from the respective scheme's investment managers and custodians, based on their pricing sources and methodologies. Unquoted investments require more judgement because their values are not directly observable. The assumptions used in valuing unquoted investments are affected by current market conditions which could result in changes in fair value after the measurement date.

For the main asset categories

- Equities listed on recognised stock exchanges are valued at closing bid prices.
- Bonds are measured using a combination of broker quotes and pricing models making assumptions for credit and market risks and market yield curves.
- Properties are valued on the basis of an open market value or are valued using models based on discounted cash flow techniques.
- Assets in investment funds are valued at fair value which is typically the net asset value provided by the investment manager.
- Certain unlisted investments are valued using a model based valuation such as discounted cash flow.
- The value of bulk annuity contracts has been assessed by discounting the projected cash flows payable under the contracts (projected by an actuary, consistent with the terms of the contract) and is equal to the corresponding liability calculated by reference to the IAS 19 assumptions.

The assets and liabilities of all of the defined benefit pension schemes (excluding additional voluntary contributions) at 31 December are

|                                                                               | 2022         |                |                |              |                | Group total    |
|-------------------------------------------------------------------------------|--------------|----------------|----------------|--------------|----------------|----------------|
|                                                                               | Quoted<br>£m | Unquoted<br>£m | Total<br>£m    | Quoted<br>£m | Unquoted<br>£m | Total<br>£m    |
| <b>Scheme assets at fair value:</b>                                           |              |                |                |              |                |                |
| Equities                                                                      |              |                |                |              |                |                |
| – UK                                                                          | 0.2          | 2.5            | 2.7            | 1.0          | 3.1            | 4.1            |
| – Overseas                                                                    | 2.0          | 24.8           | 26.8           | 7.0          | 76.5           | 83.5           |
| – Private                                                                     | 0.2          | —              | 0.2            | 0.5          | —              | 0.5            |
|                                                                               | 2.4          | 27.3           | 29.7           | 8.5          | 79.6           | 88.1           |
| <b>Debt securities:</b>                                                       |              |                |                |              |                |                |
| – UK Government                                                               | 482.0        | —              | 482.0          | 789.1        | 0.2            | 789.3          |
| – UK Corporate                                                                | 0.4          | 11.6           | 12.0           | 1.1          | 7.6            | 8.7            |
| – Overseas Government                                                         | 10.1         | 11.4           | 21.5           | 2.6          | 53.4           | 56.0           |
| – Overseas Corporate                                                          | 0.9          | 101.0          | 101.9          | 1.2          | 67.8           | 69.0           |
| – Emerging Markets                                                            | 0.5          | 27.3           | 27.8           | 1.1          | —              | 1.1            |
| – Private Debt                                                                | —            | 134.5          | 134.5          | —            | 129.5          | 129.5          |
| – Secured Loans                                                               | —            | 39.8           | 39.8           | 0.1          | —              | 0.1            |
|                                                                               | 493.9        | 325.6          | 819.5          | 795.5        | 258.5          | 1,054.0        |
| Property                                                                      | 2.6          | 88.2           | 90.8           | 2.8          | 97.5           | 100.3          |
| Infrastructure                                                                | 1.5          | —              | 1.5            | 1.5          | —              | 1.5            |
| Credit Funds                                                                  | 2.7          | —              | 2.7            | 3.2          | 150.1          | 163.3          |
| Hedge Funds                                                                   | —            | 2.1            | 2.1            | —            | 54.1           | 54.1           |
| Absolute Return Funds                                                         | 0.1          | —              | 0.1            | 0.8          | —              | 0.8            |
| Diversified Growth Funds                                                      | —            | —              | —              | —            | 79.5           | 79.5           |
| Insurance Contracts                                                           | —            | 71.4           | 71.4           | —            | 86.8           | 86.8           |
| Cash                                                                          | 34.3         | 133.2          | 167.5          | 148.1        | 11.2           | 159.3          |
| Other                                                                         | (8.5)        | (1.1)          | (9.6)          | 1.2          | 8.4            | 9.6            |
|                                                                               | 32.7         | 293.8          | 326.5          | 157.6        | 497.6          | 655.2          |
| <b>Total</b>                                                                  | <b>529.0</b> | <b>646.7</b>   | <b>1,175.7</b> | <b>961.6</b> | <b>835.7</b>   | <b>1,797.3</b> |
| Present value of scheme liabilities<br>(before effect of asset ceiling limit) |              |                | (1,136.0)      |              |                | (1,189.2)      |
| Net surplus<br>(before effect of asset ceiling limit)                         |              |                | 39.7           |              |                | 8.1            |
| Effect of asset ceiling limit                                                 |              |                | (0.1)          |              |                | (2.3)          |
| Present value of scheme liabilities<br>(after effect of asset ceiling limit)  |              |                | (1,136.1)      |              |                | (1,191.5)      |
| Net surplus<br>(after effect of asset ceiling limit)                          |              |                | 39.6           |              |                | 5.8            |

## Section 5: Employee benefits continued

### 5.2 Pensions continued

The CPLAS Trustee Board invests in Liability Driven Investments (LDIs) as part of a risk hedging strategy. The aim of the strategy is to match the value of the assets to the movement in liabilities (on a funding basis) arising from changes in market expectations of future inflation rates and future gilt yields. In order to achieve this, LDIs invest in a variety of instruments including gilts, synthetic gilts (combination of repurchase agreement, reverse repurchase agreements and total return swaps) and cash. In the table above, the LDI as at 31 December 2022 (approximately £484.3m) has been mapped as 97.0% Quoted UK Government Bonds, 1.7% Quoted Overseas Government Bonds, 3.1% Quoted Cash and -1.8% Quoted Other.

The assets do not include any directly owned financial instruments issued by the Group.

Within the Private Debt allocation, approximately £97.3m relates to lagged valuations as at 30 September 2022. Allowance has been made for broad market movements and distributions over the period to 31 December 2022.

In accordance with the CPLAS Trustee Board's focus on financially material considerations, it is acknowledged that Environment, Social and Governance (ESG) factors can impact security prices. The CPLAS Trustee Board has discussed their views on ESG factors, and considered the Group's perspective, and developed responsible investment beliefs. These can be found in the CPLAS's Statement of Investment Principles (which can be found at <https://www.cplas-pension.co.uk/library>).

#### IFRIC 14

The Group has considered the impact of IFRIC 14 on the various schemes (in relation to either recognising a surplus or allowing for the impact of any funding commitments made) and has concluded, based on the interpretation of the rules for each of the schemes, that IFRIC 14 would marginally increase the deficits shown at this balance sheet date for only one scheme, which is reflected in the balance sheet position. For the CPLAS, the Group's main defined benefit scheme, IFRIC 14 would not limit the surplus or increase the deficits shown at the balance sheet date because the Group has an unconditional right to a refund at some point during the life of the scheme.

#### Reconciliation of retirement benefits

Explanation of constituents of the consolidated income statement

The cost of providing the pension scheme during the year is broken down as follows, with due consideration being made for events which require the income statement to be re-measured over the course of the year

- Service cost is the cost to the Group of future benefits earned by contributing members over the current financial period
- Past service cost represents the change in the present value of scheme liabilities in the current period in relation to prior years' service
- Administration costs are those entailed by the pension schemes over the current period
- Interest expense (income) is made up of the interest on pension liabilities and assets over the current period generally based on the discount rate adopted at the start of the period. An allowance for interest on the asset ceiling is recognised where applicable, approximately £0.1m as at 31 December 2022 (£nil as at 31 December 2021).

## Section 5: Employee benefits continued

### 5.2 Pensions continued

All schemes are partly or wholly funded, and the following table shows the components of the movements from the opening to the closing balances for the net defined benefit obligation:

|                                                              | Defined benefit obligation |                  | Fair value of plan assets |                | Group total<br>Net defined obligation |               |
|--------------------------------------------------------------|----------------------------|------------------|---------------------------|----------------|---------------------------------------|---------------|
|                                                              | 2022<br>£m                 | 2021<br>£m       | 2022<br>£m                | 2021<br>£m     | 2022<br>£m                            | 2021<br>£m    |
| At 1 January                                                 | (1,791.5)                  | (1,882.3)        | 1,797.3                   | 1,630.2        | 5.8                                   | (252.1)       |
| <b>Included in the consolidated income statement:</b>        |                            |                  |                           |                |                                       |               |
| Current service cost                                         | (4.4)                      | (6.3)            | —                         | —              | (4.4)                                 | (6.3)         |
| Administration costs                                         | (3.9)                      | (3.5)            | —                         | —              | (3.9)                                 | (3.5)         |
| Past service cost                                            | (0.6)                      | 0.2              | —                         | —              | (0.6)                                 | 0.2           |
| Effect of settlements                                        | 0.1                        | 5.5              | (0.2)                     | (4.8)          | (0.1)                                 | 0.7           |
| Interest income/(expense)*                                   | (44.0)                     | (27.5)           | 47.6                      | 26.0           | 3.6                                   | (1.5)         |
| <b>Sub-total in consolidated income statement</b>            | <b>(52.8)</b>              | <b>(31.6)</b>    | <b>47.4</b>               | <b>21.2</b>    | <b>(5.4)</b>                          | <b>(10.4)</b> |
| <b>Included in other comprehensive income:</b>               |                            |                  |                           |                |                                       |               |
| Actuarial gain/(loss) arising from:                          |                            |                  |                           |                |                                       |               |
| – demographic assumptions                                    | 6.8                        | (10.7)           | —                         | —              | 6.8                                   | (10.7)        |
| – financial assumptions                                      | 706.1                      | 129.2            | —                         | —              | 706.1                                 | 129.2         |
| – experience adjustments                                     | (50.4)                     | (41.6)           | —                         | —              | (50.4)                                | (41.6)        |
| – changes in asset ceiling/minimum liability                 | 2.3                        | (2.3)            | —                         | —              | 2.3                                   | (2.3)         |
| Return on plan assets excluding interest                     | —                          | —                | (673.7)                   | 34.8           | (673.7)                               | 34.8          |
| <b>Sub-total in other comprehensive income</b>               | <b>664.8</b>               | <b>74.6</b>      | <b>(673.7)</b>            | <b>34.8</b>    | <b>(8.9)</b>                          | <b>109.4</b>  |
| Employer contributions                                       | (0.2)                      | —                | 48.7                      | 158.9          | 48.5                                  | 158.9         |
| Contributions by employees                                   | (1.7)                      | (1.6)            | 1.7                       | 1.6            | —                                     | —             |
| Benefits paid                                                | 47.8                       | 48.8             | (47.8)                    | (48.8)         | —                                     | —             |
| Exchange movement - recognised in other comprehensive income | (2.5)                      | 0.6              | 2.1                       | (0.6)          | (0.4)                                 | —             |
| <b>At 31 December</b>                                        | <b>(1,136.1)</b>           | <b>(1,791.5)</b> | <b>1,175.7</b>            | <b>1,797.3</b> | <b>39.6</b>                           | <b>5.8</b>    |
| Schemes in a net surplus                                     |                            |                  |                           |                |                                       |               |
| CPLAS                                                        | (1,087.0)                  | (1,725.3)        | 1,126.3                   | 1,732.5        | 39.3                                  | 7.2           |
| Other schemes                                                | (15.2)                     | (23.8)           | 18.6                      | 29.9           | 3.4                                   | 6.1           |
|                                                              | <b>(1,102.2)</b>           | <b>(1,749.1)</b> | <b>1,144.9</b>            | <b>1,762.4</b> | <b>42.7</b>                           | <b>13.3</b>   |
| Schemes in a net deficit                                     |                            |                  |                           |                |                                       |               |
| Other schemes                                                | (33.9)                     | (42.4)           | 30.8                      | 34.9           | (3.1)                                 | (7.5)         |
|                                                              | <b>(33.9)</b>              | <b>(42.4)</b>    | <b>30.8</b>               | <b>34.9</b>    | <b>(3.1)</b>                          | <b>(7.5)</b>  |
| <b>At 31 December</b>                                        | <b>(1,136.1)</b>           | <b>(1,791.5)</b> | <b>1,175.7</b>            | <b>1,797.3</b> | <b>39.6</b>                           | <b>5.8</b>    |

\*Interest income on net defined benefit obligation is £0.6m (2021: £0.7m) expense.

Of the total pension cost of £5.4m (2021: £10.4m), £5.1m (2021: £5.4m) was included in cost of sales, £3.9m (2021: £3.5m) was included in administrative expenses, and in net finance costs: £3.6m of net interest income (2021: £1.5m of net interest expense).

#### Breakdown of liabilities for the CPLAS

Information about the defined benefit obligation for the CPLAS

|                                            | Proportion<br>of overall<br>liability<br>% | Duration<br>(years) | Proportion<br>of overall<br>liability | Duration<br>(years) |
|--------------------------------------------|--------------------------------------------|---------------------|---------------------------------------|---------------------|
|                                            | 2022                                       | 2022                | 2021                                  | 2021                |
| Active members                             | 6                                          | 16.9                | 5                                     | 21.4                |
| Deferred members                           | 59                                         | 18.0                | 63                                    | 22.8                |
| Pensioners                                 | 35                                         | 10.6                | 32                                    | 13.0                |
| <b>Total percentage / average duration</b> | <b>100</b>                                 | <b>15.5</b>         | <b>100</b>                            | <b>19.6</b>         |

Duration is a weighted average of when benefits are expected to be paid from a pension scheme. It is sensitive to the interest rate used to calculate it. The increase in yields has acted to reduce the duration of the CPLAS (as less weight is placed on the pension cash flows stretching far out into the future).

During 2021, the Group furloughed an employee unable to work as a result of the Covid-19 pandemic and applied to the Coronavirus Job Retention Scheme (CJRS) as notified by the UK Government. Amounts received under CJRS were included as a government grant and deducted from the relevant cost in the consolidated income statement. During 2021, the Group claimed £4.9m under CJRS. These amounts are included within the relevant cost headings in the table above. In May 2022, we announced the Group's intention to repay the amounts received in 2021 under CJRS at the end of the Group's publicly stated furlough programme and no later than the end of June 2023. An accrual has been recognised for this repayment in the year ended 31 December 2022.

## Section 5: Employee benefits continued

### 5.3 Employee benefit expenses continued

The aggregate amount of directors' remuneration (salary, bonus and benefits) is shown on page 111 of the directors' remuneration report

- The aggregate amount of gains made by directors on exercise of share options was £119,102 (2021: £nil) (refer to note 6.1).
- The remuneration of the highest paid director was £1,767,972 (2021: £1,185,415).
- Payments have been made to a defined contribution pension scheme on behalf of five directors (2021: four directors). For the highest paid director, pension contributions of £37,400 (2021: £36,250) were made.

| The average number of employees during the year was made up as follows: | 2022<br>Number | 2021<br>Number |
|-------------------------------------------------------------------------|----------------|----------------|
| Sales                                                                   | 598            | 766            |
| Administration                                                          | 3,093          | 3,259          |
| Operations                                                              | 47,509         | 49,305         |
|                                                                         | <b>51,200</b>  | <b>53,330</b>  |

## Section 6: Other supporting notes

This section includes disclosures of those items that are not explained elsewhere in the financial statements.

In this section you will find disclosures about:

6.1 Related-party transactions

6.2 Contingent liabilities

6.3 Post balance sheet events

**AP** Denotes accounting policies

### 5.1 Related-party transactions

#### Compensation of key management personnel

|                                | 2022<br>£m | 2021<br>£m |
|--------------------------------|------------|------------|
| Short-term employment benefits | 7.6        | 12.7       |
| Pension                        | —          | —          |
| Share-based payments           | 2.2        | 0.3        |
|                                | 9.8        | 13.0       |

Gains on share options exercised in the year by Capita plc executive directors were £119,102 (2021: £nil) and by key management personnel £396,621 (2021: £1,132,231), totalling £515,723 (2021: £1,132,231).

During the year, the Group rendered administrative services to Smart DCC Limited (DCC), a wholly-owned subsidiary which is not consolidated (refer to note 4.7). The Group received £112.0m (2021: £90.1m) of revenue for these services. The services are procured by DCC on an arms length basis under the DCC licence. The services are subject to review by Ofgem to ensure that all costs are economically and efficiently incurred by DCC.

Capita Pension and Life Assurance Scheme is a related party of the Group. Transactions with the Scheme are disclosed in note 5.2.

*Contingent liabilities represent potential future cash outflows which are either not probable or cannot be measured reliably.*

The Group has provided, through the normal course of its business, performance bonds and bank guarantees of £34.0m (2021: £28.7m).

The Group is reviewing its position in respect of a number of its closed book Life & Pensions contracts. The outcomes and timing of this review which are uncertain, could result in the continuation of contracts with amended terms or the termination of contracts. If an operation is terminated, the Group may incur associated costs, accelerate the recognition of deferred income or the impairment of contract assets.

The Group's entities are parties to legal actions and claims which arise in the normal course of business. The Group needs to apply judgement in determining the merit of litigation against it and the chances of a claim successfully being made. It needs to determine the likelihood of an outflow of economic benefits occurring and whether there is a need to disclose a contingent liability or whether a provision might be required due to the probability assessment.

At any time there are a number of claims or notifications that need to be assessed across the Group. The disparate nature of the Group's entities heightens the risk that not all potential claims are known at any point in time.

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

#### Committed bridge facility

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

## Section 7: Company financial statements

This section presents the company only financial statements for Capita plc (the Company). In this section, you will find the following:

- 7.1 Company balance sheet
- 7.2 Company statement of changes in equity
- 7.3 Notes to the Company financial statements

 Denotes accounting policies

 Denotes significant accounting judgements, estimates and assumptions

### 7.1 Company balance sheet

|                                            | Notes  | 2022<br>£m     | 2021<br>£m     |
|--------------------------------------------|--------|----------------|----------------|
| <b>Non-current assets</b>                  |        |                |                |
| Intangible assets                          | 7.3.2  | —              | 26.8           |
| Tangible assets                            | 7.3.3  | 0.8            | 13.2           |
| Investments                                | 7.3.4  | 994.3          | 947.3          |
| Financial assets                           | 7.3.5  | 20.8           | 22.0           |
| Deferred tax assets                        | 7.3.6  | 11.2           | 12.7           |
| Amounts owed by subsidiary companies       | 7.3.7  | 64.4           | —              |
| Trade and other receivables                | 7.3.8  | —              | 0.1            |
|                                            |        | <b>1,091.5</b> | <b>1,022.1</b> |
| <b>Current assets</b>                      |        |                |                |
| Financial assets                           | 7.3.5  | 15.7           | 10.9           |
| Amounts owed by subsidiary companies       | 7.3.7  | 2,494.8        | 2,619.8        |
| Trade and other receivables                | 7.3.8  | 1.6            | 13.1           |
| Income tax receivable                      |        | 33.6           | 59.3           |
| Cash                                       |        | —              | —              |
|                                            |        | <b>2,545.7</b> | <b>2,703.1</b> |
| <b>Total assets</b>                        |        | <b>3,637.2</b> | <b>3,725.2</b> |
| <b>Current liabilities</b>                 |        |                |                |
| Amounts owed to subsidiary companies       | 7.3.7  | 2,302.7        | 2,086.8        |
| Trade and other payables                   | 7.3.9  | 9.6            | 7.9            |
| Accruals and deferred income               |        | 16.6           | 41.7           |
| Overdrafts                                 |        | 14.6           | 31.0           |
| Borrowings                                 | 7.3.11 | —              | 196.2          |
| Financial liabilities                      | 7.3.5  | 0.1            | 5.2            |
| Provisions                                 | 7.3.10 | 4.8            | 8.2            |
|                                            |        | <b>2,348.4</b> | <b>2,377.0</b> |
| <b>Non-current liabilities</b>             |        |                |                |
| Trade and other payables                   | 7.3.9  | —              | 0.3            |
| Borrowings                                 | 7.3.11 | 44.2           | 51.7           |
| Financial liabilities                      | 7.3.5  | 1.0            | 3.6            |
|                                            |        | <b>45.2</b>    | <b>55.6</b>    |
| <b>Total liabilities</b>                   |        | <b>2,393.6</b> | <b>2,432.6</b> |
| <b>Net assets</b>                          |        | <b>1,243.6</b> | <b>1,292.6</b> |
| <b>Capital and reserves</b>                |        |                |                |
| Issued share capital                       | 7.3.12 | 34.8           | 34.8           |
| Employee benefit trust and treasury shares | 7.3.12 | (4.2)          | (8.0)          |
| Share premium                              | 7.3.12 | 1,145.5        | 1,145.5        |
| Capital redemption reserve                 |        | 1.8            | 1.8            |
| Merger reserve                             |        | 44.6           | 44.6           |
| Cash flow hedging reserve                  |        | —              | (9.7)          |
| Retained earnings                          |        | 21.1           | 74.6           |
| <b>Total equity</b>                        |        | <b>1,243.6</b> | <b>1,292.6</b> |

The Company's loss after taxation was £55.1m (2021: £138.0m, loss).

The accompanying notes form part of the financial statements.

The accounts were approved by the Board of directors on 2 March 2023 and signed on its behalf by:

Jon Lewis

Tim Weller

Company registered number: 02081330

## Section 7: Company financial statements continued

## 7.2 Company statement of changes in equity

|                                                                    | Share capital<br>£m | Employee benefit trust and treasury shares<br>£m | Share premium<br>£m | Capital redemption reserve<br>£m | Merger reserve<br>£m | Cash flow hedging reserve<br>£m | Retained earnings<br>£m | Total<br>£m |
|--------------------------------------------------------------------|---------------------|--------------------------------------------------|---------------------|----------------------------------|----------------------|---------------------------------|-------------------------|-------------|
| At 1 January 2021                                                  | 34.5                | (11.2)                                           | 1,143.3             | 1.8                              | 44.6                 | (4.6)                           | 274.5                   | 1,482.9     |
| Loss for the year                                                  | —                   | —                                                | —                   | —                                | —                    | —                               | (198.0)                 | (198.0)     |
| Other comprehensive expense                                        | —                   | —                                                | —                   | —                                | —                    | 3.9                             | —                       | 3.9         |
| Total comprehensive expense for the year                           | —                   | —                                                | —                   | —                                | —                    | 3.9                             | (198.0)                 | (194.1)     |
| Shares issued                                                      | 0.3                 | (0.3)                                            | —                   | —                                | —                    | —                               | —                       | —           |
| VAT refund on rights issue issuance costs                          | —                   | —                                                | 2.2                 | —                                | —                    | —                               | —                       | 2.2         |
| Exercise of share options under employee long-term incentive plans | —                   | 3.5                                              | —                   | —                                | —                    | —                               | (3.5)                   | —           |
| Share-based payment net of tax effects                             | —                   | —                                                | —                   | —                                | —                    | —                               | 1.6                     | 1.6         |
| At 1 January 2022                                                  | 34.8                | (8.0)                                            | 1,145.5             | 1.8                              | 44.6                 | (0.7)                           | 74.6                    | 1,292.6     |
| Loss for the year                                                  | —                   | —                                                | —                   | —                                | —                    | —                               | (55.1)                  | (55.1)      |
| Other comprehensive expense                                        | —                   | —                                                | —                   | —                                | —                    | 0.7                             | —                       | 0.7         |
| Total comprehensive expense for the year                           | —                   | —                                                | —                   | —                                | —                    | 0.7                             | (55.1)                  | (54.4)      |
| Shares issued                                                      | —                   | —                                                | —                   | —                                | —                    | —                               | —                       | —           |
| Exercise of share options under employee long-term incentive plans | —                   | 3.8                                              | —                   | —                                | —                    | —                               | (3.8)                   | —           |
| Share-based payment net of tax effects                             | —                   | —                                                | —                   | —                                | —                    | —                               | 5.4                     | 5.4         |
| At 31 December 2022                                                | 34.8                | (4.2)                                            | 1,145.5             | 1.8                              | 44.6                 | —                               | 21.1                    | 1,243.6     |

1.1.2021 to 31.12.2022 figures are in £m, rounded to 1 decimal place.

**Share capital** – The balance classified as share capital is the nominal proceeds on issue of the Company's equity share capital, comprising 21,115p ordinary shares.

**Employee benefit trust and treasury shares** – Shares that have been bought back by the Company which are available for retirement or resale. Shares held in the employee benefit trust have no voting rights and no entitlement to a dividend.

**Share premium** – The amount paid to the Company by shareholders, in cash or other consideration, over and above the nominal value of shares issued to them less issuance costs.

**Capital redemption reserve** – The Company can redeem shares by repaying the market value to the shareholder, whereupon the shares are cancelled. Redemption must be from distributable profits. The Capital redemption reserve represents the nominal value of the shares redeemed.

**Merger reserve** – The merger reserve arose from the adoption of the exemption under section 131 of the Companies Act not to set up a share premium account in respect of shares issued for the acquisition of entities. The amounts attributed to the shares issued for these acquisitions that exceeded their nominal value was transferred to the merger reserve.

**Cash flow hedging reserves** – This reserve records the portion of the gain or loss on a hedging instrument in a cash flow that is determined to be an effective hedge.

**Retained earnings** – Net (losses)/profits accumulated in the Company after dividends are paid.

The accompanying notes are an integral part of the financial statements.

## Section 7. Company financial statements continued

### 7.3 Notes to the Company financial statements

#### 7.3.1 Accounting policies

##### AP Accounting policies

##### Basis of preparation

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of UK-adopted international accounting standards, but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The financial statements have been prepared in accordance with Financial Reporting Standard 101 – Reduced Disclosure Framework (FRS 101) as issued by the Financial Reporting Council. The Company has not presented its own profit and loss account as permitted by Section 408 of the Companies Act 2006.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to share-based payments, financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash-flow statement, standards not yet effective, impairment of assets and related party transactions.

The financial statements have been prepared on the historical cost basis and on the going concern basis, except for the revaluation of certain financial instruments. *Historical cost is generally based on the fair value of the consideration given in exchange for the goods and services.* The principal accounting policies adopted are the same as those set out in Sections 1 to 6 of the consolidated financial statements, except as noted below.

##### a. Investments in subsidiaries

##### Significant accounting judgements, estimates and assumptions

The Company has investments in subsidiaries which are shown at cost, less provisions for impairment. Investments in subsidiaries are reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

The Company determines whether investments in subsidiaries are impaired based on impairment indicators. If an indicator is identified, an impairment test is performed. This involves estimation of the enterprise value of the investee which is determined based on the greater of discounted future cash flows at a suitable discount rate or through the recoverable value of the investments held by the investee company.

##### b. Pension schemes

The Company participates in a defined contribution scheme where contributions are charged to the profit and loss account in the year in which they are due. The scheme is funded and the payment of contributions is made to a separately administered trust fund. The assets of the scheme are held separately from the Company. The Company remits monthly pension contributions to Capita Business Services Limited, a subsidiary undertaking, which pays the Group liability centrally. Any unpaid contributions at the year-end have been accrued in the accounts of that company.

The Company also has employees who are members of a defined benefit scheme operated by the Group – the Capita Pension & Life Assurance Scheme (the Capita DB Scheme). The Company has a current employee who continues to accrue benefits in the Capita DB Scheme.

The last remaining active employee transferred to a subsidiary company on 1 November 2022. Since the Company no longer has any active members in the Capita DB Scheme, this triggered a cessation event which means a Section 75 debt (which is a statutory debt due from a participating employer to the trustees of a multi-employer defined benefit pension scheme which is in deficit) became due. However, the Trustee Board of the Capita DB Scheme has agreed that the pension liabilities attributable to the Company can be transferred to Capita Business Services Limited (the Principal Employer of the Capita DB Scheme), which will remove the Section 75 debt due from the Company. This Flexible Apportionment Arrangement (FAA) is expected to be finalised in 2023. Following the finalisation of the FAA, the Company will no longer be a formal participating employer in the Capita DB Scheme.

Since there is no contractual arrangement or stated Group policy for charging the net defined benefit cost of the Capita DB Scheme to participating entities, the net defined benefit cost is recognised fully by Capita Business Services Limited. The Company then recognises a cost equal to its contribution payable for the applicable period. The contributions payable by the participating entities are determined on the following basis:

- The Capita DB Scheme provides benefits on a defined benefit basis funded from assets held in a separate trustee-administered fund
- The Capita DB Scheme is a non-segregated scheme with around 200 different sections in the scheme, where each section provides benefits on a particular basis (some based on final salary, some based on career average earnings) to particular groups of employees.
- At each full actuarial valuation of the Capita DB Scheme (carried out triennially), the contribution rates for those sections containing active members are calculated. These are then rationalised such that sections with similar employer contribution rates (when expressed as a percentage of pensionable pay) are grouped together and an average employer contribution rate for each of the rationalised groups calculated.
- The Company's contribution is consequently calculated by applying the appropriate average employer contribution rates to the pensionable pay of its employees participating in the Capita DB Scheme.

A full actuarial valuation of the Capita DB Scheme is carried out every three years by an independent qualified actuary for the Trustee Board, with the last full actuarial valuation carried out as at 31 March 2020. The purpose of that valuation is to design a funding plan to ensure that the Capita DB Scheme has sufficient assets available to meet future benefit payments, based on assumptions agreed between the Trustee Board and Capita Business Services Limited. The 31 March 2020 actuarial valuation showed a funding deficit of £182.2m (31 March 2017: £185.0m). This equates to a funding ratio of 89.3% (31 March 2017: 86.1%). As a result of the funding valuation, Capita Business Services Limited and the Trustee Board agreed a funding plan to eliminate the deficit. Capita Business Services Limited has agreed to pay additional contributions totalling £124m between July 2021 and December 2023.

In addition to the above, Capita Business Services Limited has agreed to make additional non-statutory contributions of £10m each year in 2024, 2025 and 2026 to meet a secondary funding target.

## Section 7: Company financial statements continued

### 7.3.1 Accounting policies continued

The Trustee Board has agreed with Capita Business Services Limited to accelerate the payment of some of the deficit contributions on a pound for pound basis in the event of disposal proceeds being used to fund mandatory prepayments of debt.

The next scheme funding assessment is expected to be carried out with an effective date of 31 March 2023.

Note 5.2 of the Group's consolidated financial statements sets out more detail about the pension obligations.

#### (c) Share-based payments

Subsidiary companies of the Company reimburse the Company through the intercompany account for charges attributable to their employees participating in the Company's share schemes.

#### (d) Amounts owed by/to subsidiary companies



#### Significant accounting judgements, estimates and assumptions

The amounts owed by and to subsidiary companies are shown at cost plus accrued interest less any provision for impairment. Amounts owed by subsidiary companies are reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Company determines whether amounts owed by subsidiary companies are impaired by considering if there is an indicator of increased credit risk. The key assumption considered is the probability of a subsidiary undertaking going into default at the balance sheet date.

The definition of default used by the Company is that the counterparty is in a net liability position. In this case credit risk at the balance sheet date is captured by the definition of default and the probability of default occurring in the next day (reflecting the contractual period of a demand loan). The policy is to assess the net asset/net liability position of each investment and then to conclude on the probability of default and quantum of any impairment, by reference to the future discounted cash flows. With the contractual arrangements either based on repayment on demand or fixed term loan the future credit risk had a very limited impact on the calculation of expected credit losses at the balance sheet date.

The cash shortfalls arising when an amount owed by a subsidiary undertaking is in default are assessed by discounting the expected future cash flows at the original effective interest rate of the instrument. Where it is expected that the principal and all associated interest can be recovered at some point in the future, no material expected credit losses are recognised.

|                        | Financial<br>statements<br>2022<br>£m | Company<br>financial<br>statements<br>2022<br>£m | 2021<br>£m |
|------------------------|---------------------------------------|--------------------------------------------------|------------|
| <b>Cost</b>            |                                       |                                                  |            |
| At 1 January 2022      | 31.8                                  | 15.7                                             | 47.5       |
| Intragroup transfer    | (31.1)                                | (15.7)                                           | (46.8)     |
| Retirement             | (0.7)                                 | —                                                | (0.7)      |
| At 31 December 2022    | —                                     | —                                                | —          |
| <b>Amortisation</b>    |                                       |                                                  |            |
| At 1 January 2022      | 11.2                                  | 9.5                                              | 20.7       |
| Charge for the year    | 5.1                                   | 0.9                                              | 6.0        |
| Intragroup transfer    | (15.9)                                | (10.4)                                           | (26.3)     |
| Retirement             | (0.4)                                 | —                                                | (0.4)      |
| At 31 December 2022    | —                                     | —                                                | —          |
| <b>Net book value:</b> |                                       |                                                  |            |
| At 1 January 2022      | 20.6                                  | 6.2                                              | 26.8       |
| At 31 December 2022    | —                                     | —                                                | —          |

On 1 November 2022, certain tangible and intangible assets were transferred to Capita Shared Services Limited (a wholly owned subsidiary of the Company) as part of a Group reorganisation. All the assets were transferred at their net book value, with the consideration remaining outstanding as an inter-company loan.

Other intangibles relates to software purchased from third parties.

## Section 7: Company financial statements continued

### 7.3.3 Tangible assets

|                        | Computer<br>equipment<br>£m | Short term<br>leased<br>equipment<br>£m | Equipment<br>right-of-use<br>£m | Total<br>£m |
|------------------------|-----------------------------|-----------------------------------------|---------------------------------|-------------|
| <b>Cost</b>            |                             |                                         |                                 |             |
| At 1 January 2022      | 22.2                        | 1.3                                     | 0.4                             | 23.9        |
| Additions              | 3.0                         | 0.1                                     | —                               | 3.1         |
| Intragroup transfer    | (23.9)                      | 0.1                                     | —                               | (23.8)      |
| Asset retirements      | (1.3)                       | (0.1)                                   | —                               | (1.4)       |
| At 31 December 2022    | —                           | 1.4                                     | 0.4                             | 1.8         |
| <b>Depreciation</b>    |                             |                                         |                                 |             |
| At 1 January 2022      | 9.8                         | 0.5                                     | 0.4                             | 10.7        |
| Charge for the year    | 4.7                         | 0.3                                     | —                               | 5.0         |
| Intragroup transfer    | (13.2)                      | (0.1)                                   | —                               | (13.3)      |
| Asset retirements      | (1.3)                       | (0.1)                                   | —                               | (1.4)       |
| At 31 December 2022    | —                           | 0.6                                     | 0.4                             | 1.0         |
| <b>Net book value:</b> |                             |                                         |                                 |             |
| At 1 January 2022      | 12.4                        | 0.8                                     | —                               | 13.2        |
| At 31 December 2022    | —                           | 0.8                                     | —                               | 0.8         |

On 1 November 2022, certain tangible and intangible assets were transferred to Capita Shared Services Limited (a wholly owned subsidiary of the Company) as part of a Group reorganisation. All the assets were transferred at their net book value, with the consideration remaining outstanding as an inter-company loan.

### 7.3.4 Intangible assets

|                         | Goodwill<br>£m | Identifiable<br>intangible<br>assets<br>£m | Total<br>£m |
|-------------------------|----------------|--------------------------------------------|-------------|
| <b>Net book value</b>   |                |                                            |             |
| At 1 January 2022       |                |                                            | 947.3       |
| Additions <sup>1</sup>  |                |                                            | 54.0        |
| Impairment <sup>2</sup> |                |                                            | (7.0)       |
| At 31 December 2022     |                |                                            | 994.3       |

<sup>1</sup> During the year ended 31 December 2022, goodwill and identifiable intangible assets were acquired in the acquisition of the business of the former Capita Pension Services Limited.

<sup>2</sup> During the year ended 31 December 2022, an impairment charge of £7.0 million was recognised in the Profit or Loss account in Capita plc's Annual Report 2022, in respect of the impairment of the former Capita Pension Services Limited.

| Direct investments                                                           | Registered office                                                            | Percentage owned<br>by the Company |
|------------------------------------------------------------------------------|------------------------------------------------------------------------------|------------------------------------|
| Capita Pension Solutions Limited <sup>1</sup>                                | 65 Gresham Street, London, England, EC2V 7NQ                                 | 100%                               |
| Capita Legal Services Limited <sup>1</sup>                                   | 65 Gresham Street, London, England, EC2V 7NQ                                 | 100%                               |
| Capita Employee Benefits Holdings Limited <sup>1</sup>                       | 65 Gresham Street, London, England, EC2V 7NQ                                 | 100%                               |
| Capita Financial Services Holdings Limited <sup>1</sup>                      | 65 Gresham Street, London, England, EC2V 7NQ                                 | 100%                               |
| Capita Group Insurance PCC Limited <sup>1</sup>                              | Dorey Court, Admiral Park, St. Peter Port, Guernsey, GY1 4AT, Guernsey       | 100%                               |
| Capita Holdings Limited <sup>1</sup>                                         | 65 Gresham Street, London, England, EC2V 7NQ                                 | 100%                               |
| Capita International Limited <sup>1</sup>                                    | 65 Gresham Street, London, England, EC2V 7NQ                                 | 100%                               |
| Capita Life & Pensions Regulated Services Limited <sup>1</sup>               | 65 Gresham Street, London, England, EC2V 7NQ                                 | 100%                               |
| Capita International Retirement Benefit Scheme Trustees Limited <sup>1</sup> | 65 Gresham Street, London, England, EC2V 7NQ                                 | 100%                               |
| Capita Ireland Limited                                                       | 2nd Floor, Block 5, Irish Life Centre, Abbey Street Lower, Dublin 1, D01P767 | 100%                               |
| Capita Life & Pensions Services Limited <sup>1</sup>                         | 65 Gresham Street, London, England, EC2V 7NQ                                 | 100%                               |
| Capita Shared Services Limited <sup>1</sup>                                  | 65 Gresham Street, London, England, EC2V 7NQ                                 | 100%                               |

<sup>1</sup> 100% owned by the Company

<sup>2</sup> 100% owned by the Company

<sup>3</sup> 100% owned

<sup>4</sup> 100% owned by the Company

<sup>5</sup> 100% owned

<sup>6</sup> 100% owned by the Company

## Section 7: Company financial statements continued

### 7.3.4 Investments – continued

Certain subsidiaries of the Group have opted to take advantage of a statutory exemption from having an audit in respect of their individual statutory accounts. Strict criteria must be met for this exemption to be taken and has been agreed to by the directors of those subsidiary entities.

Listed in note 7.3.17 to the Company financial statements are subsidiaries controlled and consolidated by the Group, where the directors have taken advantage of the exemption from having an audit of the entities' individual financial statements for the year ended 31 December 2022 in accordance with Section 479A of The Companies Act 2006.

To facilitate the adoption of this exemption, Capita plc, the parent company of the subsidiaries concerned, undertakes to provide a guarantee under Section 479C of the Companies Act 2006 in respect of those subsidiaries. Details of all indirect subsidiaries, as required under Section 409 of the Companies Act 2006, are reported in note 7.3.17 to the Company financial statements.

The Company considered whether there was an indicator of impairment in investments in subsidiaries at 31 December 2022, and due to the Company's market capitalisation being below the carrying value of the Company's net assets, concluded a trigger existed and performed an impairment test.

#### The impairment test

The cash flow projections used for the impairment test, are derived from the 2023-2025 business plans approved by the Board. The enterprise value is then calculated based on the present value of estimated future cash flows discounted at the current market rate of return.

The long-term growth rate is based on economic growth forecasts by recognised bodies and this has been applied to the forecast cash flows for the terminal period. The 2022 long-term growth rate is 2.2% (2021: 1.7%).

Management estimates discount rates using pre-tax rates that reflected the latest market assumptions for the risk-free rate, the equity risk premium and the cost of debt, which are all based on publicly available external sources.

The table below represents the pre-tax discount rates applied to the cash flows for 2022 and 2021.

|      | Capita Portfolio      |                   |        |          |                    |        |       |
|------|-----------------------|-------------------|--------|----------|--------------------|--------|-------|
|      | Capita Public Service | Capita Experience | People | Software | Business Solutions | Travel | Fera  |
| 2022 | 11.8%                 | 10.4%             | 14.3%  | 12.1%    | 12.1%              | 13.0%  | 11.2% |
| 2021 | 13.0%                 | 11.6%             | 12.4%  | 12.8%    | 13.3%              | 15.7%  | 11.9% |

#### Sensitivity analysis

The impairment testing, as described, is reliant on the accuracy of management's forecasts and the assumptions that underlie them, and on the selection of the discount and growth rates to be applied. To gauge the sensitivity of the result to a change in any one, or combination of the assumptions that underlie the model, a number of scenarios were developed to identify the range of reasonably possible alternatives and measure which investments are the most susceptible to an impairment should the assumptions used be varied. This sensitivity analysis is only applicable to those investments which have not already been fully impaired.

The table below shows the additional impairment required (with all other variables being equal) by an increase in discount rate of 1% or a decrease in the long-term growth rate of 1% (for the terminal period) for each of the investments, or by the severe but plausible downsides applied to the base-case projections for assessing going concern and viability, without mitigations, and for all of the scenarios together. The table below excludes those investments which have been fully impaired previously or are held at nominal value.

|                                                   | 1% increase in discount rate<br>£m | 1% decrease in long-term growth rate<br>£m | Severe but plausible downside<br>£m | Combination sensitivity<br>£m |
|---------------------------------------------------|------------------------------------|--------------------------------------------|-------------------------------------|-------------------------------|
| Capita Pension Solutions Limited                  | —                                  | —                                          | —                                   | —                             |
| Capita Financial Services Holdings Limited        | —                                  | —                                          | —                                   | —                             |
| Capita Group Insurance PCC Limited                | —                                  | —                                          | —                                   | —                             |
| Capita Holdings Limited                           | —                                  | —                                          | —                                   | —                             |
| Capita International Limited                      | —                                  | —                                          | —                                   | —                             |
| Capita Life & Pensions Regulated Services Limited | —                                  | —                                          | —                                   | —                             |
| Capita Employee Benefits Holdings Limited         | —                                  | —                                          | —                                   | —                             |

At 31 December 2022, an impairment of £7.0m (2021: £0.8m) arose from the impairment test performed. Under the combination sensitivity scenario no additional impairments were highlighted where the enterprise value was used for impairment assessment.

Management continue to monitor closely the performance of all investments in subsidiaries and consider the impact of any changes to the key assumptions. Given that the performance of certain subsidiaries has been affected by the continued recovery from Covid-19, there is a greater range of potential future outcomes. A number of these downsides would give rise to an impairment.

## Section 7: Company financial statements continued

### 7.3 Financial instruments

|                                                    | Financial assets<br>2022<br>£m | Financial liabilities<br>2022<br>£m | Financial assets<br>2021<br>£m | Financial liabilities<br>2021<br>£m |
|----------------------------------------------------|--------------------------------|-------------------------------------|--------------------------------|-------------------------------------|
| Cash flow hedges                                   | —                              | —                                   | 0.9                            | 1.8                                 |
| Non-designated foreign exchange forwards and swaps | 10.7                           | 0.1                                 | 1.8                            | 4.7                                 |
| Lease liabilities                                  | —                              | —                                   | —                              | 0.1                                 |
| Cross-currency interest rate swaps                 | 25.8                           | 1.0                                 | 30.2                           | 2.2                                 |
|                                                    | 36.5                           | 1.1                                 | 32.9                           | 8.8                                 |
| <b>Analysed as:</b>                                |                                |                                     |                                |                                     |
| Current                                            | 15.7                           | 0.1                                 | 10.9                           | 5.2                                 |
| Non-current                                        | 20.8                           | 1.0                                 | 22.0                           | 3.6                                 |
|                                                    | 36.5                           | 1.1                                 | 32.9                           | 8.8                                 |

### 7.4 Deferred tax

|                                                           | 2022<br>£m | 2021<br>£m |
|-----------------------------------------------------------|------------|------------|
| Deferred tax included in the balance sheet is as follows: |            |            |
| Accelerated capital allowances                            | 3.9        | 5.1        |
| Tax losses                                                | 1.0        | 1.0        |
| Other short term timing differences                       | 6.3        | 6.3        |
|                                                           | 11.2       | 12.7       |

### 7.5 Amounts owed by subsidiary companies

|                                      | Current    |            | Non-current |            |
|--------------------------------------|------------|------------|-------------|------------|
|                                      | 2022<br>£m | 2021<br>£m | 2022<br>£m  | 2021<br>£m |
| Amounts owed by subsidiary companies | 2,494.8    | 2,619.8    | 64.4        | —          |

Amounts due within one year are repayable on demand along with any accrued interest. Amounts due after more than one year is a fixed term loan. The expected credit loss provision against amounts owed by subsidiary undertakings is immaterial.

The non-current receivable relates to a long-term loan to a subsidiary. This was previously considered to be a current receivable but following a reassessment has been reclassified to non-current at 31 December 2022.

|                                      | Current    |            | Non-current |            |
|--------------------------------------|------------|------------|-------------|------------|
|                                      | 2022<br>£m | 2021<br>£m | 2022<br>£m  | 2021<br>£m |
| Amounts owed to subsidiary companies | 2,302.7    | 2,086.8    | —           | —          |

Amounts owed to subsidiary companies are repayable on demand along with any accrued interest.

### 7.6 Amounts owed to subsidiary companies

|                                 | Current    |            | Non-current |            |
|---------------------------------|------------|------------|-------------|------------|
|                                 | 2022<br>£m | 2021<br>£m | 2022<br>£m  | 2021<br>£m |
| Trade receivables               | —          | —          | —           | —          |
| Other debtors                   | 1.1        | 2.0        | —           | —          |
| Other taxes and social security | 0.1        | 1.4        | —           | —          |
| Prepayments                     | 0.4        | 9.7        | —           | 0.1        |
|                                 | 1.6        | 13.1       | —           | 0.1        |

## Section 7: Company financial statements continued

### 7.3.2 Trade and other payables

|                 | Current    |            | Non-current |            |
|-----------------|------------|------------|-------------|------------|
|                 | 2022<br>£m | 2021<br>£m | 2022<br>£m  | 2021<br>£m |
| Trade creditors | 8.9        | 7.2        | —           | —          |
| Other creditors | 0.7        | 0.7        | —           | 0.3        |
|                 | 9.6        | 7.9        | —           | 0.3        |

### 7.3.3 Provisions

|                                         | 2022<br>£m | 2021<br>£m |
|-----------------------------------------|------------|------------|
| At 1 January                            | 8.2        | 17.3       |
| Provisions provided for during the year | 1.6        | 8.8        |
| Provisions released during the year     | (1.2)      | (5.9)      |
| Utilisation                             | (3.8)      | (12.0)     |
| At 31 December                          | 4.8        | 8.2        |

The majority of the provisions relate to the claims and litigation provision of £4.0m. Further detail on these provisions can be found in note 3.6 to the Group's consolidated financial statements.

### 7.3.4 Borrowings

|                                | 2022<br>£m | 2021<br>£m |
|--------------------------------|------------|------------|
| Private placement loan notes   | 44.2       | 201.9      |
| Credit facilities <sup>1</sup> | —          | 46.0       |
|                                | 44.2       | 247.9      |

<sup>1</sup> Total of £247.9m as at 31 December 2021, £46.0m as at 31 December 2022.

Maturity analysis is as follows:

|                                     |      |       |
|-------------------------------------|------|-------|
| Falling due within a year           | —    | 196.2 |
| Falling due after more than 5 years | 44.2 | 51.7  |
| Total borrowings                    | 44.2 | 247.9 |

The Company issued guaranteed unsecured private placement loan notes as follows:

|                                                        | £m    | Currency | £m   | Maturity         |
|--------------------------------------------------------|-------|----------|------|------------------|
| Fixed rate bearer notes                                | 3,625 | EUR      | 53.4 | 10 November 2027 |
| Total of euro denominated private placement loan notes |       |          | 53.4 |                  |

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

Further detail on these facilities can be found in note 4.2 to the Group's consolidated financial statements.

### 7.3.5 Share-based payments

Disclosures about the share-based share premium, employee benefit trust and treasury shares of the Company have been included in note 4.6 to the Group's consolidated financial statements.

### 7.3.6 Financial guarantees

The Company has provided, through the normal course of its business, performance guarantees of £34.0m (2021: £29.7m).

## Section 7: Company financial statements continued

### 7.3.11 Related party transactions

In the following, amounts for purchases and sales are for transactions invoiced during the year inclusive of VAT where applicable. All transactions are undertaken at arm's-length prices.

During the year, the Company sold goods/services in the normal course of business to Entrust Support Services Limited for £1.2m (2021: £0.8). The Company purchased goods services in the normal course of business for £0.4m (2021: £0.2m). At the balance sheet date, the net amount receivable from Entrust Support Services Limited was £nil (2021: £nil).

During the year, the Company sold goods/services in the normal course of business to Capita Glamorgan Consultancy Limited for £0.1m (2021: £0.1m). The Company purchased goods services in the normal course of business for £nil (2021: £nil). At the balance sheet date, the net amount receivable from Capita Glamorgan Consultancy Limited was £nil (2021: £nil).

During the year, the Company sold goods/services in the normal course of business to Fera Science Limited for £0.7m (2021: £0.6m). The Company purchased goods services in the normal course of business for £0.1m (2021: £nil). At the balance sheet date, the net amount receivable from Fera Science Limited was £nil (2021: £nil).

### 7.3.12 Pensions

The Company operates defined benefit and defined contribution schemes. The pension charge for these schemes for the year was £1.5m (2021: £2.0m).

### 7.3.13 Share-based payments

The Company operates several share-based payment plans and details of the schemes are disclosed in note 5.1 of the Group's consolidated financial statements.

The Group recognised an expense for share-based payments in respect of employee services received during the year to 31 December 2022 of £5.4m (2021: £1.2m), all of which arises from equity-settled share-based payment transactions. The total Company expense, after recharging subsidiary undertakings, charged to the income statement in respect of share-based payments was £3.0m (2021: £0.6m).

## Section 7: Company financial statements continued

## 7.3.17 Related companies

The stated address relates to the place of incorporation of the entity, which is the same as its tax residence in all cases other than Capita Group Insurance PCC Limited which is incorporated in Guernsey, but which is tax resident in the UK.

Unless otherwise indicated, all shareholdings are owned indirectly by the company and represent 100% of the issued share capital of the subsidiary. Dormant companies are marked (D).

| Company name                                                       | Share class        | Company name                                                                    | Share class                               |
|--------------------------------------------------------------------|--------------------|---------------------------------------------------------------------------------|-------------------------------------------|
| Agito Limited <sup>1</sup>                                         | £1.00 Ordinary     | Capita Group Insurance PCC Limited <sup>1</sup>                                 | £1.00 CG1<br>£1.00 CIC2<br>£1.00 Ordinary |
| Axinika Debt Recovery Limited                                      | £1.00 Ordinary     | Capita Group Limited (in liquidation) <sup>1</sup>                              | £1.00 Ordinary                            |
| Axinika Limited <sup>1</sup>                                       | £1.00 Ordinary     | Capita Group Secretary Limited (D)                                              | £1.00 Ordinary                            |
| Axinika UK Limited (in liquidation) <sup>1</sup>                   | £1.00 Ordinary     | Capita HCH Limited <sup>1</sup>                                                 | £1.00 Ordinary                            |
| Artificial Labs Ltd <sup>1</sup> ●                                 | £0.000025 Ordinary | Capita Health and Wellbeing Limited <sup>1</sup>                                | £1.00 Ordinary                            |
| Barrachd Limited (in liquidation)                                  | £1.00 Ordinary     | Capita Health Holdings Limited <sup>1</sup>                                     | £1.00 Ordinary                            |
| BGS Design Ltd (in liquidation)                                    | £1.00 Ordinary     | Capita Holdings Limited <sup>1</sup>                                            | £1.00 Ordinary                            |
| Boiling Services International Limited <sup>1</sup>                | £1.00 Ordinary     | Capita IB Solutions (HK) Limited <sup>1</sup>                                   | HKD1.00 Ordinary &<br>HKD1.00 Ordinary B  |
| Brentside Communications Limited (D)                               | £1.00 Ordinary     | Capita IB Solutions (Ireland) Limited                                           | £1.00 Ordinary                            |
| Brightwave Enterprises Limited                                     | £1.00 Ordinary     | Capita IB Solutions Limited <sup>1</sup>                                        | £1.00 Ordinary                            |
| Brightwave Holdings Limited <sup>1</sup>                           | £1.00 Ordinary     | Capita India Private Limited                                                    | INR10.00 Ordinary                         |
| Brightwave Limited <sup>1</sup>                                    | £1.00 Ordinary     | Capita Insurance Services Group Limited <sup>1</sup>                            | £1.00 Ordinary                            |
| BSI Group Limited                                                  | £1.00 Ordinary     | Capita Insurance Services (Belgium) Limited                                     | £1.00 Ordinary                            |
| Call Vision Technologies Ltd (in liquidation)                      | £1.00 Ordinary     | Capita Insurance Services Limited                                               | £1.00 Ordinary                            |
| Capita 002619050 Limited (in liquidation)                          | £1.00 Ordinary     | Capita International Limited <sup>1</sup>                                       | £1.00 Ordinary                            |
| Capita 004472213 Limited (in liquidation) <sup>1</sup>             | £1.00 Ordinary     | Capita International Retirement Benefit Scheme Trustees Limited <sup>1</sup>    | £1.00 Ordinary                            |
| Capita 02105681 Limited                                            | £0.0012 Ordinary   | Capita Ireland Limited <sup>1</sup>                                             | £1.00 Ordinary                            |
| Capita 05588350 Limited (in liquidation)                           | £1.00 Ordinary     | Capita IT Services (BSP) Limited                                                | £1.00 Ordinary                            |
| Capita (Polak & Spółka) z ograniczoną odpowiedzialnością           | PLZŁ0.10 Ordinary  | Capita IT Services Holdings Limited <sup>1</sup>                                | £1.00 Ordinary                            |
| Capita (South Africa) (Pty) Limited                                | ZAR1.00 Ordinary   | Capita IT Services Limited                                                      | £1.00 Ordinary                            |
| Capita (USA) Holdings Inc.                                         | US\$1.00 Ordinary  | Capita Joshua & Sonnet Services Holdings Limited                                | £1.00 Ordinary                            |
| Capita Birmingham Limited <sup>1</sup>                             | £1.00 Ordinary     | Capita Land Limited (in liquidation)                                            | £1.00 Ordinary                            |
| Capita Business Services Ltd <sup>1</sup>                          | £1.00 Ordinary     | Capita Learning Limited <sup>1</sup>                                            | £1.00 Ordinary                            |
| Capita Business Support Services Ireland Limited                   | £1.00 Ordinary     | Capita Legal Services Limited <sup>1</sup>                                      | £1.00 Ordinary                            |
| Capita Corporate Director Limited (D)                              | £1.00 Ordinary     | Capita Life & Pensions Regulatory Services Limited <sup>1</sup>                 | £1.00 Ordinary                            |
| Capita CTH USA, LLC                                                | US\$1.00 Ordinary  | Capita Life & Pensions Services Limited <sup>1</sup>                            | £1.00 Ordinary                            |
| Capita Customer Management Limited                                 | £1.00 Ordinary     | Capita Life and Pensions International Limited <sup>1</sup>                     | £1.00 Ordinary                            |
| Capita Customer Services Germany GmbH                              | £1.00 Ordinary     | Capita Life and Pensions Services (Ireland) Ltd Limited <sup>1</sup>            | £1.00 Ordinary                            |
| Capita Customer Services AG                                        | CHF1.00 Ordinary   | Capita Manager IT Solutions Limited <sup>1</sup>                                | £1.00 Ordinary                            |
| Capita Customer Solutions Ltd Limited <sup>1</sup>                 | £1.00 Ordinary     | Capita Movers Limited <sup>1</sup>                                              | £1.00 Ordinary                            |
| Capita Customer Solutions Limited                                  | £1.00 Ordinary     | Capita Mortgage Administration Limited                                          | £1.00 Ordinary                            |
| Capita Cyprus Holdings Limited                                     | £1.00 Ordinary     | Capita Mortgage Services Solutions Limited                                      | £1.00 Ordinary                            |
| Capita Czech Limited                                               | £1.00 Ordinary     | Capita Network (Pawson) Limited (D)                                             | N/A £1.00 Ordinary                        |
| Capita Employment Benefits (Australia) Limited                     | £1.00 Ordinary     | Capita Offshore Services (Belgium) Limited (in liquidation) <sup>1</sup>        | N/A £1.00 Ordinary                        |
| Capita Employee Benefits (Ireland) Limited <sup>1</sup>            | £1.00 Ordinary     | Capita Pension Solutions Limited                                                | £1.00 Ordinary                            |
| Capita Employee Services GmbH (D)                                  | £1.00 Ordinary     | Capita Property Administration (UK) Shareholders Limited                        | £1.00 Ordinary                            |
| Capita ESS Holdings Limited                                        | £1.00 Ordinary     | Capita Property and Infrastructure Services LLC (in liquidation) <sup>1</sup> ● | Asset owned<br>Company                    |
| Capita Financial Services (Australia) Limited                      | £1.00 Ordinary     | Capita Property and Infrastructure Services Limited                             | £1.00 Ordinary                            |
| Capita Group Management and Advisory Services Limited <sup>1</sup> | £1.00 Ordinary     | Capita Property and Infrastructure Services (UK) Limited                        | £1.00 Ordinary                            |
| Capita GMS (Australia) Limited <sup>1</sup>                        | £1.00 Ordinary     | Capita Property and Infrastructure Services (UK) Limited                        | £1.00 Ordinary                            |
| Capita Global Limited (in liquidation)                             | £1.00 Ordinary     | Capita Property and Infrastructure Services (UK) Limited                        | £1.00 Ordinary                            |

## Section 7: Company financial statements continued

### 7.3.17 Related companies controlled

| Company name                                                       | Share class                                | Company name                                                           | Share class            |
|--------------------------------------------------------------------|--------------------------------------------|------------------------------------------------------------------------|------------------------|
| Capita Resourcing Limited <sup>1</sup>                             | £1.00 Ordinary                             | Evolve Rail Systems Limited <sup>1</sup>                               | £1.00 Ordinary         |
| Capita Retail Financial Services Limited <sup>1</sup>              | £1.00 Ordinary                             | Exptel Hotel Reservations Limited (in liquidation) <sup>1</sup>        | £1.00 Ordinary         |
| Capita Retail Limited <sup>1</sup>                                 | £1.00 Ordinary                             | Fera Science Limited <sup>1</sup> ■                                    | £1.00 Ordinary B       |
| Capita Retail (USA) LLC <sup>1</sup>                               | N/A                                        | Fire Service College Limited <sup>1</sup>                              | £1.00 Ordinary         |
| Capita Scotland (Pensions) Limited Partnership                     | N/A                                        | FirstAssist Services Limited <sup>1</sup>                              | £1.00 Ordinary         |
| Capita Scotland General Partner (Pensions) Limited <sup>1</sup>    | £1.00 Ordinary                             | Full Circle Contact Centre Services (Proprietary) Limited <sup>1</sup> | ZAR0.01 Ordinary       |
| Capita Secure Information Solutions Limited <sup>1</sup>           | £1.00 Ordinary                             | Gassings Trustees Limited (in liquidation) <sup>1</sup>                | £1.00 Ordinary         |
| Capita Shared Services Limited <sup>1</sup> ■                      | £1.00 Ordinary                             | Grosvenor Career Services Limited (D) <sup>1</sup>                     | £1.00 Ordinary         |
| Capita Southampton Limited <sup>1</sup>                            | £1.00 Ordinary                             | Health Analytics Ltd (in liquidation) <sup>1</sup>                     | £1.00 Ordinary         |
| Capita Symonds (Asia) Limited                                      | £1.00 Ordinary                             | Lovel Financial Technology Limited <sup>1</sup> ■                      | £0.001 Ordinary        |
| Capita Symonds India Private Limited (in liquidation) <sup>1</sup> | INR10.00 Ordinary                          | Liberty Printers (Ar And Rt Reddini) Limited                           | £1.00 Ordinary         |
| Capita Symonds Saudi Arabia Limited (D)                            | N/A                                        | Market Mortgage Limited <sup>1</sup>                                   | £0.001 Ordinary        |
| Capita Travel & Events Holdings Limited <sup>1</sup>               | £1.00 Ordinary                             | Metacharge Limited (in liquidation)                                    | £1.00 Ordinary         |
| Capita West GmbH <sup>1</sup>                                      | €25,000.00 Ordinary                        | NYS Corporate Ltd. (in liquidation)                                    | £1.00 Ordinary         |
| Capita Workforce Management Limited                                | £1.00 Ordinary                             | Ortal Business Solutions Limited                                       | £1.00 Ordinary         |
| CAS Services US Inc <sup>1</sup>                                   | US\$1.00 Ordinary                          | Optilead Inc. (in liquidation)                                         | US\$0.001 Common Stock |
| CHSD Services Limited (in liquidation)                             | £1.00 Ordinary                             | Optilead Limited (in liquidation)                                      | £1.00 Ordinary         |
| CHKS Limited <sup>1</sup>                                          | £1.00 Ordinary                             | PageOne Communications Limited                                         | £1.00 Ordinary         |
| Clinical Solutions Acquisition Limited                             | £1.00 Ordinary                             | REL Regional Enterprises Limited <sup>1</sup> ■                        | £1.00 Ordinary A       |
| Clinical Solutions Finance Limited <sup>1</sup>                    | £1.00 Ordinary                             | Retain International (Holdings) Limited                                | £1.00 Ordinary         |
| Clinical Solutions Group (International) LLC (D) <sup>1</sup>      | N/A                                        | Retain International Limited (D)                                       | £1.00 Ordinary         |
| Clinical Solutions Holdings Limited <sup>1</sup>                   | £1.00 Ordinary                             | Ross & Roberts Limited <sup>1</sup>                                    | £1.00 Ordinary         |
| Clinical Solutions International Limited <sup>1</sup>              | £1.00 Ordinary                             | Shy Benefit Consultants Limited (D)                                    | £1.00 Ordinary         |
| Clinical Solutions IP Limited (D) <sup>1</sup>                     | £1.00 Ordinary                             | Shy Professional Trustees Limited (D)                                  | £1.00 Ordinary         |
| Complete Imaging Limited (in liquidation) <sup>1</sup>             | £1.00 Ordinary                             | SDP Regeneration Services 2 Limited (in liquidation)                   | £1.00 Ordinary         |
| CompuLand UK Limited <sup>1</sup>                                  | £1.00 Ordinary                             | Security Watchdog Limited (in liquidation)                             | £1.00 Ordinary         |
| Conker Associates Limited <sup>1</sup>                             | £1.00 Ordinary                             | Smart SOC Limited <sup>1</sup>                                         | £1.00 Ordinary         |
| CPLAS Trustees Limited (D)                                         | £1.00 Ordinary                             | Striking Punk LLP                                                      | N/A                    |
| CS Clinical Solutions India Private Limited (in liquidation)       | INR10.00 Ordinary                          | Synapse Software Limited                                               | £1.00 Ordinary         |
| Cymru Limited (in liquidation)                                     | £1.00 Ordinary                             | Tesco E & J services Limited <sup>1</sup>                              | £1.00 Ordinary         |
| Daily Update Communications Limited <sup>1</sup> ▲                 | £1.00 Ordinary B                           | Tascon Services Limited                                                | £1.00 Ordinary         |
| Deet Solutions (Holdings) Limited                                  | £1.00 Ordinary                             | TELAG AG                                                               | CHF1,000.00 Ordinary   |
| Digitally Technology Solutions Ltd                                 | £0.000001 Ordinary<br>£0.000001 A Ordinary | The G243 Group Ltd                                                     | £1.00 Ordinary         |
| DSTBLD LIMITED <sup>1</sup> ■                                      | £0.001 Ordinary                            | Thirty Three Group Limited                                             | £1.00 Ordinary         |
| Duke 2021 Fund Limited <sup>1</sup>                                | £1.00 B Ordinary                           | Thirty Three LLP                                                       | N/A                    |
| E & C Consultants Limited (D)                                      | £1.00 Ordinary                             | ThirtyThree APAC Limited (D) <sup>1</sup>                              | HKD1.00 Ordinary       |
| ElectraNet (UK) Limited                                            | £1.00 Ordinary                             | ThirtyThree USA Inc                                                    | US\$1.00 Ordinary      |
| ElectraNet Group Limited (in liquidation)                          | £1.00 Ordinary                             | Update Infrastructure (UK) Limited                                     | £1.00 Ordinary         |
| ElectraNet Holdings Limited (in liquidation)                       | £1.00 Ordinary                             | Update Infrastructure 2012 Limited (D) <sup>1</sup>                    | £1.00 Ordinary         |
| Emerson, M (in liquidation)                                        | £1.00 Ordinary                             | Urban & Sky Partnership Limited <sup>1</sup> ■                         | £1.00 Ordinary B       |
| Entire Group Services Limited <sup>1</sup> ▼                       | £1.00 Ordinary X                           | Zemach Ltd Private Limited                                             | INR10.00 Ordinary      |
| Entire Limited                                                     | £1.00 Ordinary                             | Venture UK Limited Limited                                             | £1.00 Ordinary         |
| Entire (in liquidation) Limited (D)                                | £1.00 Ordinary                             | Ynvalle Asset Management Limited (in liquidation) <sup>1</sup>         | £1.00 Ordinary         |
| Entire Assets (in liquidation) Ltd (D)                             | BR£1.00 Ordinary                           | Ynvalle Property Limited                                               | £1.00 Ordinary         |
| Evolve Holdings Limited                                            | £1.00 Ordinary                             | Ynvalle Management Services Limited                                    | £1.00 Ordinary         |
| Evolve Limited                                                     | £1.00 Ordinary                             | Zenith Capital                                                         | £1.00 Ordinary         |

## 7.3.17 Related companies continued

## Registered office address

[illegible]

- [illegible]

## Section 7: Company financial statements continued

### 7.3.17 Related companies continued

Listed below are subsidiaries controlled and consolidated by the Group, where the directors have taken the exemption from having an audit of its financial statements for the year ended 31 December 2022. This exemption is taken in accordance with Section 479A of the Companies Act.

| Company name                                                      | Company registration | Company name                                 | Company registration |
|-------------------------------------------------------------------|----------------------|----------------------------------------------|----------------------|
| Akinika Debt Recovery Limited                                     | 1242485              | Capita Southampton Limited                   | 10207906             |
| Akinika Limited                                                   | 1613010              | Capita Symonds (Asia) Limited                | 3023340              |
| Booking Services International Limited                            | 1833039              | Capita Travel & Events Holdings Limited      | 6258931              |
| Brentside Communications Limited                                  | 1991595              | CHKS Limited                                 | 2442956              |
| Brightwave Enterprises Limited                                    | 7066783              | Clinical Solutions Acquisition Limited       | 5353896              |
| Brightwave Holdings Limited                                       | 7462788              | Clinical Solutions Finance Limited           | 5337592              |
| Brightwave Limited                                                | 4092349              | Clinical Solutions Holdings Limited          | 5337596              |
| BSI Group Limited                                                 | 3005596              | Clinical Solutions International Limited     | 4394761              |
| Capita Birmingham Limited                                         | 5660977              | Clinical Solutions IP Limited                | 5354046              |
| Capita Customer Solutions (UK) Limited                            | 7886341              | Comberland UK Limited                        | 2275623              |
| Capita Dubai Limited                                              | 10908066             | Contact Associates Limited                   | 5601393              |
| Capita Employee Benefits Holdings Limited                         | 6722404              | Debt Solutions (Holdings) Limited            | 3673307              |
| Capita ESS Holdings Limited                                       | 12714191             | E.B. Consultants Limited                     | 1106104              |
| Capita Financial Services Holdings Limited                        | 10016286             | Electra-Net (UK) Limited                     | 3419833              |
| Capita Gas Registration and Ancillary Services Limited            | 5078781              | Equita Limited                               | 3168371              |
| Capita HCH Limited                                                | 2384029              | Equitable Holdings Limited                   | 2239663              |
| Capita Health and Wellbeing Limited                               | 3185776              | Eunstix (Holdings) Limited                   | 5564856              |
| Capita Health Holdings Limited                                    | 6413394              | Eunstix Limited                              | 5420948              |
| Capita Insurance Services Group Limited                           | 2777642              | Fire Service College Limited                 | 8102633              |
| Capita Insurance Services Holdings Limited                        | 6041965              | FirstAssist Services Limited                 | 1404718              |
| Capita Insurance Services Limited                                 | 1396443              | Grosvenor Career Services Limited            | 3119327              |
| Capita International Limited                                      | 2683437              | Liberty Printers (AR and RF Redding) Limited | 2920033              |
| Capita International Retirement Benefit Scheme Trustees Limited   | 2328910              | Octal Business Solutions Limited             | 5182624              |
| Capita IT Services (BSF) Limited                                  | 1855936              | PageOne Communications Limited               | 04560277             |
| Capita IT Services Holdings Limited                               | 6002593              | Retail International (Holdings) Limited      | 7871708              |
| Capita IT Services Limited                                        | SC045439             | Retail International Limited                 | 3061744              |
| Capita Justice & Secure Services Holdings Limited                 | 4746912              | Ross & Roberts Limited                       | 3365520              |
| Capita Learning Limited                                           | 4968329              | Sbi Benefit Consultants Limited              | 1894757              |
| Capita Legal Services Limited                                     | 6540594              | Sbi Professional Trustees Limited            | 2547932              |
| Capita Life and Pensions International Limited                    | 5952054              | Stirling Park LLP                            | SO300697             |
| Capita Manager IT Solutions Limited                               | NI032979             | Tascon E & D Services Limited                | 9980217              |
| Capita McLaren Limited                                            | SC021024             | The GPG3 Group Ltd                           | SC109414             |
| Capita Mortgage Software Solutions Limited                        | 1855353              | Thirty Three Group Limited                   | 3626724              |
| Capita Property and Infrastructure (Structures) Limited           | 2082106              | Thirty Three LLP                             | OC372712             |
| Capita Property and Infrastructure Holdings Limited               | 3840627              | Update Infrastructure (UK) Limited           | 6967393              |
| Capita Property and Infrastructure International Holdings Limited | 3860653              | Update Infrastructure 2012 Limited           | 4342422              |
| Capita Property and Infrastructure International Limited          | 2752154              | Urban Vision Partnership Limited             | 6290634              |
| Capita Retail Financial Services Limited                          | 5296886              | Ventura (UK) India Limited                   | 5131135              |
| Capita Sembawang General Partner Pension Limited                  | SC144757             | Voice Marketing Limited                      | 5829691              |
| Capita Secure Information Solutions Limited                       | 1593831              | Wharf Limited                                | 1564535              |

## Additional shareholder information

### In this section

- 8.1 Shareholder information
- 8.2 Alternative performance measures

In this section we have provided you with some key information to manage your shareholding in Capita plc.

#### Useful websites

##### Capita ([www.capita.com/investors](http://www.capita.com/investors))

Our corporate site is our main external communication channel where we showcase our services, solutions and innovations from across the wider Company. It also contains an investor section, where institutional and private shareholders can access the latest announcements, financial and statutory information and reports.

##### Shareholder portal ([www.capitashares.co.uk](http://www.capitashares.co.uk))

Capita's register of shareholders is maintained by Link Group. Our shareholder portal is a secure online site where you can manage your shareholding quickly and easily. You can manage many aspects, such as viewing your holding, updating contact details, managing dividend payments, requesting to receive shareholder communications by email and registering. To register you will need your investor code, which can be found on your share certificate or dividend confirmation.

#### e-communications

Help us communicate with you in a greener, more efficient and cost-effective way by switching from postal to email communications, which means that we will notify you by email each time new shareholder communications have been placed on the Capita website.

Registering for e-communications is very straightforward. Go to our shareholder portal [www.capitashares.co.uk](http://www.capitashares.co.uk). Further information about our shareholder portal is below.

#### Managing your shareholding

We aim to communicate as effectively with our shareholders via our website [www.capita.com/investors](http://www.capita.com/investors). Shareholders who have questions relating to the Group's business or wish to receive further hard copies of annual reports should contact Capita's investor relations team on +44 (0) 1720 169 269 or email [IRTeam@capita.com](mailto:IRTeam@capita.com).

If you have any queries about your shareholding or dividend payments please contact the Company's registrar, Link Group.

Link Group  
10th Floor  
Central Square  
29 Wellington Street  
Leeds LS1 4DL

Email: [shareholderenquiries@linkgroup.co.uk](mailto:shareholderenquiries@linkgroup.co.uk)  
Tel: +44 (0) 371 664 0300 (Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom are charged at the applicable international rate.)

Lines are open 9.00am – 5.30pm, Monday to Friday, excluding public holidays in England and Wales.

#### Company contact details

##### Registered office

Capita plc  
65 Gresham Street  
London EC2V 7NQ  
Tel: 020 7799 1525  
Registered in England and Wales with registration number 02081330

##### Investor Relations

[IRTeam@capita.com](mailto:IRTeam@capita.com)  
Director of Investor Relations – Helen Parris

##### Company Secretariat

[secretariat@capita.com](mailto:secretariat@capita.com)  
Chief General Counsel and Company Secretary – Claire Denton

##### Company advisers

**Independent auditor**  
KPMG LLP

##### Corporate brokers

Barclays Bank plc

Numis Securities Limited

##### Bankers

Barclays Bank plc

Citicorp North America, Inc.

Goldman Sachs International Bank

ING Bank NV, London Branch

Lloyds Bank plc

National Westminster Bank plc

##### Corporate communications

Powerscourt

##### Registrars

Link Group

## 8.2 Alternative performance measures

The Group presents various alternative performance measures (APMs) as the performance of the Group is reported and measured on this basis internally. This includes key performance indicators (KPIs) such as adjusted revenue, adjusted profit before tax, adjusted earnings per share, free cash flow before business exits, and gearing ratios.

These APMs should not be viewed as a complete picture of the Group's financial performance which is presented in the reported results. The exclusion of certain items may result in a more favourable view when costs such as acquired intangible amortisation and impairments of goodwill are excluded. These measures may not be comparable when reviewing similar measures reported by other companies.

| APM                                                                                        | Closest equivalent IFRS measure | Definition, Purpose and Reconciliation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |             |              |      |                                           |             |           |                                      |           |           |                                  |                            |           |                         |        |           |                                                 |        |        |        |        |                                                                                            |        |        |        |        |                                                                         |        |        |     |     |                                                                          |        |        |        |        |                                                                                |         |       |         |       |                 |         |         |         |        |                        |       |       |       |       |
|--------------------------------------------------------------------------------------------|---------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------|--------------|------|-------------------------------------------|-------------|-----------|--------------------------------------|-----------|-----------|----------------------------------|----------------------------|-----------|-------------------------|--------|-----------|-------------------------------------------------|--------|--------|--------|--------|--------------------------------------------------------------------------------------------|--------|--------|--------|--------|-------------------------------------------------------------------------|--------|--------|-----|-----|--------------------------------------------------------------------------|--------|--------|--------|--------|--------------------------------------------------------------------------------|---------|-------|---------|-------|-----------------|---------|---------|---------|--------|------------------------|-------|-------|-------|-------|
| Income statement                                                                           |                                 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |             |              |      |                                           |             |           |                                      |           |           |                                  |                            |           |                         |        |           |                                                 |        |        |        |        |                                                                                            |        |        |        |        |                                                                         |        |        |     |     |                                                                          |        |        |        |        |                                                                                |         |       |         |       |                 |         |         |         |        |                        |       |       |       |       |
| <div>Adjusted revenue</div> <div></div>                                                    | Revenue                         | <p>Calculated as revenue less any revenue relating to businesses that have been sold, or exited during the year or prior year, or, are in the process of being sold, or exited.</p> <p>This measure of revenue is used internally in respect of the Group's continuing business (being the Group's continuing activities, which exclude business exits) and the Board believes it is a good indication of ongoing performance.</p> <p>The table below shows a reconciliation between reported and adjusted revenue, as well as adjusted revenue growth.</p> <table><tr><th></th><th>2022</th><th>2021</th></tr><tr><td>Reported revenue per the income statement</td><td>£3,014.6m</td><td>£3,182.5m</td></tr><tr><td>Deduct: business exits (note 2.2.1)</td><td>(£168.8m)</td><td>(£404.7m)</td></tr><tr><td>Adjusted revenue</td><td>£2,845.8m</td><td>£2,777.8m</td></tr><tr><td>Adjusted revenue growth</td><td>2.4 %</td><td>0.1 %</td></tr></table>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |             | 2022         | 2021 | Reported revenue per the income statement | £3,014.6m   | £3,182.5m | Deduct: business exits (note 2.2.1)  | (£168.8m) | (£404.7m) | Adjusted revenue                 | £2,845.8m                  | £2,777.8m | Adjusted revenue growth | 2.4 %  | 0.1 %     |                                                 |        |        |        |        |                                                                                            |        |        |        |        |                                                                         |        |        |     |     |                                                                          |        |        |        |        |                                                                                |         |       |         |       |                 |         |         |         |        |                        |       |       |       |       |
|                                                                                            | 2022                            | 2021                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |             |              |      |                                           |             |           |                                      |           |           |                                  |                            |           |                         |        |           |                                                 |        |        |        |        |                                                                                            |        |        |        |        |                                                                         |        |        |     |     |                                                                          |        |        |        |        |                                                                                |         |       |         |       |                 |         |         |         |        |                        |       |       |       |       |
| Reported revenue per the income statement                                                  | £3,014.6m                       | £3,182.5m                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |             |              |      |                                           |             |           |                                      |           |           |                                  |                            |           |                         |        |           |                                                 |        |        |        |        |                                                                                            |        |        |        |        |                                                                         |        |        |     |     |                                                                          |        |        |        |        |                                                                                |         |       |         |       |                 |         |         |         |        |                        |       |       |       |       |
| Deduct: business exits (note 2.2.1)                                                        | (£168.8m)                       | (£404.7m)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |             |              |      |                                           |             |           |                                      |           |           |                                  |                            |           |                         |        |           |                                                 |        |        |        |        |                                                                                            |        |        |        |        |                                                                         |        |        |     |     |                                                                          |        |        |        |        |                                                                                |         |       |         |       |                 |         |         |         |        |                        |       |       |       |       |
| Adjusted revenue                                                                           | £2,845.8m                       | £2,777.8m                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |             |              |      |                                           |             |           |                                      |           |           |                                  |                            |           |                         |        |           |                                                 |        |        |        |        |                                                                                            |        |        |        |        |                                                                         |        |        |     |     |                                                                          |        |        |        |        |                                                                                |         |       |         |       |                 |         |         |         |        |                        |       |       |       |       |
| Adjusted revenue growth                                                                    | 2.4 %                           | 0.1 %                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |             |              |      |                                           |             |           |                                      |           |           |                                  |                            |           |                         |        |           |                                                 |        |        |        |        |                                                                                            |        |        |        |        |                                                                         |        |        |     |     |                                                                          |        |        |        |        |                                                                                |         |       |         |       |                 |         |         |         |        |                        |       |       |       |       |
| <div>Adjusted operating profit</div> <div></div>                                           | Operating profit                | <p>Calculated as reported operating profit excluding items determined by the Board to be outside underlying operations. These items are detailed in note 2.4.</p> <p>The Board believes that this measure is useful for investors because it is closely monitored by management to evaluate the Group's operating performance and to make financial, strategic and operating decisions.</p> <p>A reconciliation of reported to adjusted operating profit is provided in note 2.4.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |             |              |      |                                           |             |           |                                      |           |           |                                  |                            |           |                         |        |           |                                                 |        |        |        |        |                                                                                            |        |        |        |        |                                                                         |        |        |     |     |                                                                          |        |        |        |        |                                                                                |         |       |         |       |                 |         |         |         |        |                        |       |       |       |       |
| <div>Adjusted operating profit margin</div> <div></div>                                    | Operating profit margin         | <p>Calculated as the adjusted operating profit divided by adjusted revenue.</p> <p>This measure is an indicator of the Group's operating efficiency.</p> <p>The table below shows the components, and calculation, of adjusted operating profit margin.</p> <table><tr><th></th><th>2022</th><th>2021</th></tr><tr><td>Adjusted revenue</td><td>a £2,845.8m</td><td>£2,777.8m</td></tr><tr><td>Adjusted operating profit (note 2.4)</td><td>b £102.9m</td><td>(£77.7m)</td></tr><tr><td>Adjusted operating profit margin</td><td>b/a 3.6 %</td><td>(2.8) %</td></tr></table>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |             | 2022         | 2021 | Adjusted revenue                          | a £2,845.8m | £2,777.8m | Adjusted operating profit (note 2.4) | b £102.9m | (£77.7m)  | Adjusted operating profit margin | b/a 3.6 %                  | (2.8) %   |                         |        |           |                                                 |        |        |        |        |                                                                                            |        |        |        |        |                                                                         |        |        |     |     |                                                                          |        |        |        |        |                                                                                |         |       |         |       |                 |         |         |         |        |                        |       |       |       |       |
|                                                                                            | 2022                            | 2021                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |             |              |      |                                           |             |           |                                      |           |           |                                  |                            |           |                         |        |           |                                                 |        |        |        |        |                                                                                            |        |        |        |        |                                                                         |        |        |     |     |                                                                          |        |        |        |        |                                                                                |         |       |         |       |                 |         |         |         |        |                        |       |       |       |       |
| Adjusted revenue                                                                           | a £2,845.8m                     | £2,777.8m                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |             |              |      |                                           |             |           |                                      |           |           |                                  |                            |           |                         |        |           |                                                 |        |        |        |        |                                                                                            |        |        |        |        |                                                                         |        |        |     |     |                                                                          |        |        |        |        |                                                                                |         |       |         |       |                 |         |         |         |        |                        |       |       |       |       |
| Adjusted operating profit (note 2.4)                                                       | b £102.9m                       | (£77.7m)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |             |              |      |                                           |             |           |                                      |           |           |                                  |                            |           |                         |        |           |                                                 |        |        |        |        |                                                                                            |        |        |        |        |                                                                         |        |        |     |     |                                                                          |        |        |        |        |                                                                                |         |       |         |       |                 |         |         |         |        |                        |       |       |       |       |
| Adjusted operating profit margin                                                           | b/a 3.6 %                       | (2.8) %                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |             |              |      |                                           |             |           |                                      |           |           |                                  |                            |           |                         |        |           |                                                 |        |        |        |        |                                                                                            |        |        |        |        |                                                                         |        |        |     |     |                                                                          |        |        |        |        |                                                                                |         |       |         |       |                 |         |         |         |        |                        |       |       |       |       |
| <div>Adjusted EBITDA</div> <div></div>                                                     | EBITDA                          | <p>Calculated as adjusted operating profit for the last twelve months before, depreciation, amortisation and impairment of property, plant and equipment and intangible assets, net finance costs, and the share of results in associates and investment gains (other than those already excluded from adjusted operating profit).</p> <p>The directors believe that adjusted EBITDA is a useful measure for investors because it is closely monitored by management to evaluate Group and divisional operating performance and is the basis of the measure agreed with the lenders for the purpose of measuring compliance with covenants.</p> <p>This measure has been calculated pre and post IFRS 16 to enable investors to understand the impact of the Group's lease portfolio on adjusted EBITDA.</p> <p>The table below shows the calculation of adjusted EBITDA.</p> <table><tr><th></th><th colspan="2">Post IFRS 16</th><th colspan="2">Pre IFRS 16</th></tr><tr><th></th><th>2022</th><th>2021</th><th>2022</th><th>2021</th></tr><tr><td>Adjusted profit before tax</td><td>£73.8m</td><td>(£122.8m)</td><td>£79.0m</td><td>(£117.6m)</td></tr><tr><td>Add back: adjusted net finance costs (note 4.3)</td><td>£34.9m</td><td>£44.5m</td><td>£16.5m</td><td>£25.0m</td></tr><tr><td>Add back: adjusted depreciation and impairment of property, plant and equipment (note 3.2)</td><td>£45.4m</td><td>£49.4m</td><td>£45.4m</td><td>£49.4m</td></tr><tr><td>Add back: depreciation and impairment of right-of-use assets (note 3.5)</td><td>£53.3m</td><td>£81.5m</td><td>£—m</td><td>£—m</td></tr><tr><td>Add back: adjusted amortisation and impairment of intangibles (note 3.3)</td><td>£37.2m</td><td>£24.8m</td><td>£37.2m</td><td>£89.8m</td></tr><tr><td>Remove: Share of results in associates and investment gains (income statement)</td><td>(£5.8m)</td><td>£0.6m</td><td>(£5.8m)</td><td>£0.6m</td></tr><tr><td>Adjusted EBITDA</td><td>£238.8m</td><td>£113.0m</td><td>£172.3m</td><td>£47.2m</td></tr><tr><td>Adjusted EBITDA margin</td><td>8.4 %</td><td>5.1 %</td><td>6.1 %</td><td>1.7 %</td></tr></table> |             | Post IFRS 16 |      | Pre IFRS 16                               |             |           | 2022                                 | 2021      | 2022      | 2021                             | Adjusted profit before tax | £73.8m    | (£122.8m)               | £79.0m | (£117.6m) | Add back: adjusted net finance costs (note 4.3) | £34.9m | £44.5m | £16.5m | £25.0m | Add back: adjusted depreciation and impairment of property, plant and equipment (note 3.2) | £45.4m | £49.4m | £45.4m | £49.4m | Add back: depreciation and impairment of right-of-use assets (note 3.5) | £53.3m | £81.5m | £—m | £—m | Add back: adjusted amortisation and impairment of intangibles (note 3.3) | £37.2m | £24.8m | £37.2m | £89.8m | Remove: Share of results in associates and investment gains (income statement) | (£5.8m) | £0.6m | (£5.8m) | £0.6m | Adjusted EBITDA | £238.8m | £113.0m | £172.3m | £47.2m | Adjusted EBITDA margin | 8.4 % | 5.1 % | 6.1 % | 1.7 % |
|                                                                                            | Post IFRS 16                    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | Pre IFRS 16 |              |      |                                           |             |           |                                      |           |           |                                  |                            |           |                         |        |           |                                                 |        |        |        |        |                                                                                            |        |        |        |        |                                                                         |        |        |     |     |                                                                          |        |        |        |        |                                                                                |         |       |         |       |                 |         |         |         |        |                        |       |       |       |       |
|                                                                                            | 2022                            | 2021                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | 2022        | 2021         |      |                                           |             |           |                                      |           |           |                                  |                            |           |                         |        |           |                                                 |        |        |        |        |                                                                                            |        |        |        |        |                                                                         |        |        |     |     |                                                                          |        |        |        |        |                                                                                |         |       |         |       |                 |         |         |         |        |                        |       |       |       |       |
| Adjusted profit before tax                                                                 | £73.8m                          | (£122.8m)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | £79.0m      | (£117.6m)    |      |                                           |             |           |                                      |           |           |                                  |                            |           |                         |        |           |                                                 |        |        |        |        |                                                                                            |        |        |        |        |                                                                         |        |        |     |     |                                                                          |        |        |        |        |                                                                                |         |       |         |       |                 |         |         |         |        |                        |       |       |       |       |
| Add back: adjusted net finance costs (note 4.3)                                            | £34.9m                          | £44.5m                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | £16.5m      | £25.0m       |      |                                           |             |           |                                      |           |           |                                  |                            |           |                         |        |           |                                                 |        |        |        |        |                                                                                            |        |        |        |        |                                                                         |        |        |     |     |                                                                          |        |        |        |        |                                                                                |         |       |         |       |                 |         |         |         |        |                        |       |       |       |       |
| Add back: adjusted depreciation and impairment of property, plant and equipment (note 3.2) | £45.4m                          | £49.4m                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | £45.4m      | £49.4m       |      |                                           |             |           |                                      |           |           |                                  |                            |           |                         |        |           |                                                 |        |        |        |        |                                                                                            |        |        |        |        |                                                                         |        |        |     |     |                                                                          |        |        |        |        |                                                                                |         |       |         |       |                 |         |         |         |        |                        |       |       |       |       |
| Add back: depreciation and impairment of right-of-use assets (note 3.5)                    | £53.3m                          | £81.5m                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | £—m         | £—m          |      |                                           |             |           |                                      |           |           |                                  |                            |           |                         |        |           |                                                 |        |        |        |        |                                                                                            |        |        |        |        |                                                                         |        |        |     |     |                                                                          |        |        |        |        |                                                                                |         |       |         |       |                 |         |         |         |        |                        |       |       |       |       |
| Add back: adjusted amortisation and impairment of intangibles (note 3.3)                   | £37.2m                          | £24.8m                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | £37.2m      | £89.8m       |      |                                           |             |           |                                      |           |           |                                  |                            |           |                         |        |           |                                                 |        |        |        |        |                                                                                            |        |        |        |        |                                                                         |        |        |     |     |                                                                          |        |        |        |        |                                                                                |         |       |         |       |                 |         |         |         |        |                        |       |       |       |       |
| Remove: Share of results in associates and investment gains (income statement)             | (£5.8m)                         | £0.6m                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | (£5.8m)     | £0.6m        |      |                                           |             |           |                                      |           |           |                                  |                            |           |                         |        |           |                                                 |        |        |        |        |                                                                                            |        |        |        |        |                                                                         |        |        |     |     |                                                                          |        |        |        |        |                                                                                |         |       |         |       |                 |         |         |         |        |                        |       |       |       |       |
| Adjusted EBITDA                                                                            | £238.8m                         | £113.0m                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | £172.3m     | £47.2m       |      |                                           |             |           |                                      |           |           |                                  |                            |           |                         |        |           |                                                 |        |        |        |        |                                                                                            |        |        |        |        |                                                                         |        |        |     |     |                                                                          |        |        |        |        |                                                                                |         |       |         |       |                 |         |         |         |        |                        |       |       |       |       |
| Adjusted EBITDA margin                                                                     | 8.4 %                           | 5.1 %                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | 6.1 %       | 1.7 %        |      |                                           |             |           |                                      |           |           |                                  |                            |           |                         |        |           |                                                 |        |        |        |        |                                                                                            |        |        |        |        |                                                                         |        |        |     |     |                                                                          |        |        |        |        |                                                                                |         |       |         |       |                 |         |         |         |        |                        |       |       |       |       |

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| Financial statements | Additional information | Capita plc<br>Annual Report 2022 | 230 |
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## 2.2 Additional performance measures continued

| APM                                                                                                                                                           | Closest equivalent IFRS measure                 | Definition, Purpose and Reconciliation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |  |      |      |                                              |               |           |                                            |               |         |                                  |                |           |
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| <b>Income statement continued</b>                                                                                                                             |                                                 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |  |      |      |                                              |               |           |                                            |               |         |                                  |                |           |
| <b>Adjusted profit before tax</b><br>                                        | <b>Profit before tax</b>                        | <p>Calculated as profit or loss before tax excluding the items detailed in note 2.4 which include: business exits (trading results, non-trading expenses and any gain (loss) on business disposal); acquired intangible amortisation, and impairment of goodwill and acquired intangibles.</p> <p>The Board believes that this measure is useful for investors because it is closely monitored by management to evaluate the Group's operating performance and to make financial, strategic and operating decisions.</p> <p>A reconciliation of reported to adjusted profit before tax is provided in note 2.4.</p>                                                                                                                                                                                                                                                                                                                                                       |  |      |      |                                              |               |           |                                            |               |         |                                  |                |           |
| <b>Adjusted profit after tax</b><br>                                         | <b>Profit after tax</b>                         | <p>Calculated as the above adjusted profit or loss before tax, less the tax credit or expense on adjusted profit or loss.</p> <p>The table below shows a reconciliation.</p> <table> <tr> <th></th><th>2022</th><th>2021</th></tr> <tr> <td>Adjusted profit/(loss) before tax (note 2.4)</td><td><b>£73.8m</b></td><td>(£122.8m)</td></tr> <tr> <td>Tax on adjusted profit/(loss) (note 2.6.1)</td><td><b>£31.8m</b></td><td>(£4.0m)</td></tr> <tr> <td>Adjusted profit/(loss) after tax</td><td><b>£105.6m</b></td><td>(£126.8m)</td></tr> </table>                                                                                                                                                                                                                                                                                                                                                                                                                      |  | 2022 | 2021 | Adjusted profit/(loss) before tax (note 2.4) | <b>£73.8m</b> | (£122.8m) | Tax on adjusted profit/(loss) (note 2.6.1) | <b>£31.8m</b> | (£4.0m) | Adjusted profit/(loss) after tax | <b>£105.6m</b> | (£126.8m) |
|                                                                                                                                                               | 2022                                            | 2021                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |  |      |      |                                              |               |           |                                            |               |         |                                  |                |           |
| Adjusted profit/(loss) before tax (note 2.4)                                                                                                                  | <b>£73.8m</b>                                   | (£122.8m)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |  |      |      |                                              |               |           |                                            |               |         |                                  |                |           |
| Tax on adjusted profit/(loss) (note 2.6.1)                                                                                                                    | <b>£31.8m</b>                                   | (£4.0m)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |  |      |      |                                              |               |           |                                            |               |         |                                  |                |           |
| Adjusted profit/(loss) after tax                                                                                                                              | <b>£105.6m</b>                                  | (£126.8m)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |  |      |      |                                              |               |           |                                            |               |         |                                  |                |           |
| <b>Adjusted effective tax rate</b><br>                                       | <b>Tax rate</b>                                 | <p>Calculated as the income tax credit or expense on the adjusted profit or loss before tax divided by the adjusted profit or loss before tax.</p> <p>The effective tax rate for 31 December 2022 is calculated from the current year elements of corporation (£12.6m) and deferred taxes (£122.5m) (2021: £14.5m and £60.3m respectively), which exclude one-off items.</p> <p>The Board believes that this tax rate provides an indication of the effective average tax rate across the Group on adjusted profit before tax.</p> <p>For further information refer to note 2.6.</p>                                                                                                                                                                                                                                                                                                                                                                                      |  |      |      |                                              |               |           |                                            |               |         |                                  |                |           |
| <b>Adjusted basic earnings per share</b><br>                               | <b>Basic earnings per share</b>                 | <p>Calculated as the adjusted profit (loss) for the year after tax less non-controlling interests divided by the weighted average number of ordinary shares outstanding during the year.</p> <p>The Board believes that this provides an indication of basic earnings per share of the Group on adjusted profit after tax.</p> <p>For the calculation of adjusted basic earnings per share refer to note 2.7.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |  |      |      |                                              |               |           |                                            |               |         |                                  |                |           |
| <b>Adjusted diluted earnings per share</b><br>                             | <b>Diluted earnings per share</b>               | <p>Calculated as the adjusted profit (loss) for the year after tax less non-controlling interests divided by the weighted average number of ordinary shares outstanding during the period plus the weighted average number of ordinary shares that would have been issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.</p> <p>The Board believes that this provides an indication of diluted earnings per share of the Group on adjusted profit after tax.</p> <p>For the calculation of adjusted diluted earnings per share refer to note 2.7.</p>                                                                                                                                                                                                                                                                                                                                                                              |  |      |      |                                              |               |           |                                            |               |         |                                  |                |           |
| <b>Cash flows and debt</b>                                                                                                                                    |                                                 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |  |      |      |                                              |               |           |                                            |               |         |                                  |                |           |
| <b>Cash flows generated/(used) by operations before business exits</b><br> | <b>Cash generated / (used) by operations</b>    | <p>Calculated as the cash flows generated from operations excluding the items detailed in note 2.10.2 which includes: business exits (trading results, non-trading expenses) and pension deficit contributions which have been triggered by disposals.</p> <p>The Board believes that this measure is useful for investors because it is closely monitored by management to evaluate the Group's operating performance and to make financial, strategic and operating decisions.</p> <p>A reconciliation of reported to cash generated/(used) by operations excluding business exits is provided in note 2.10.2.</p>                                                                                                                                                                                                                                                                                                                                                      |  |      |      |                                              |               |           |                                            |               |         |                                  |                |           |
| <b>Free cash flow before business exits</b><br>                            | <b>Net cash flows from operating activities</b> | <p>Calculated as cash generated from operations after capital expenditure, income tax and interest and the proceeds from the sale of property, plant and equipment and intangible assets, but before the impact of business exits.</p> <p>From 1 January 2022, the Board considers free cash flow and cash generated from operations before business exits provide a more representative measure of the sustainable cash flow of the Group.</p> <p>Free cash flow is a measure used to show how efficient the Group is at generating cash and the Board believes it is useful for investors and management to measure whether the Group has enough cash to fund operations, capital expenditure, debt and loans, obligations, and dividends.</p> <p>A reconciliation of net cash flows from operating activities to free cash flow is provided in note 2.10.2 and a reconciliation of reported to free cash flow excluding business exits is provided in note 2.10.2.</p> |  |      |      |                                              |               |           |                                            |               |         |                                  |                |           |

## A.2 Alternative performance measures continued

| APM                                                       | Closest equivalent IFRS measure      | Definition, Purpose and Reconciliation                                                                                                                                                                                                                                                                    |
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| Cash flows and net debt continued                         |                                      |                                                                                                                                                                                                                                                                                                           |
| <div>Adjusted operating cash conversion</div> <div></div> | <div>Operating cash conversion</div> | Calculated as operating cash flow before business exits divided by adjusted EBITDA.<br>The Board believes that this measure is useful for investors because it is closely monitored by management to evaluate the Group's operating performance and to make financial, strategic and operating decisions. |
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1. Net debt is calculated as the sum of cash, cash equivalents and overdrafts, less the fair value of the Group's private placement loan notes, other loan notes, and deferred consideration.

2. Adjusted EBITDA is calculated as operating cash flow before business exits, less working capital changes, and other adjustments.

 New APM in the year

 Definition updated in the year

 Comparative representation

CONRAN  
DESIGN GROUP

CONRAN DESIGN GROUP  
is a 100% owned subsidiary of Capita plc.  
CONRAN DESIGN GROUP is a RE+ Certified paper containing  
100% recycled fibre (including 25% post consumer waste)  
and is produced in a mill with a FSC®  
certified environmental management system  
by an FSC® certified paper mill.

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TRUST™**  
[www.carbonbalancedpaper.com](http://www.carbonbalancedpaper.com)  
CBP000190R2504183028

Capita plc

Annual Report 2022

Registered office

Capita plc

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